FINANCIAL TIMES

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Reagan-Mulroney summit on more sombre note, Page 20

World news

Reagan suffers defeat on bill veto

The US Senate, in a major defeat for President Reagan, voted by 67 to 33 to override his veto of an $88bn highway improvement bill. The bill, which has been seen as a test of the President's political strength, will now become law.

The Democrat controlled House of Representatives voted to override the veto earlier this week.

Republican leaders in the Senate had been trying to rally the party to support Mr Reagan, and the President himself is understood to have appealed personally to Senators. Earlier story, Page 4

Asylum granted

The Soviet Unions has granted political asylum to a US soldier and his West German wife who claimed persecution for their political views. The couple has sought asylum when honeymooning in the Soviet central Asion republic of Turkmenia. Page 2

SDI threat

Success of President Reagan's strategic defence initiative (SDI), leading to space-based defence by both the US and the Soviet Union, would fatally compromise European security and threaten the Atlantic alliance, according to a new study. Page 2

Irangate immunity

US senators investigating the Iran arms scandal voted to grant limited immunity from prosecution to two secretaries of a retired air force general, Major General Richard Secord, who played a key role in the affair.

Diplomats expelled

France has expelled three Soviet diplomats for "activities incompatible with their mission." The expulsions follow the arrest last week of a group accused of spying on the Ariane space rocket. Page 2

Judge's Bhopal plea

A judge hearing the $3bn Bhopal gas disaster case asked Union Carbide and the Indian Government to agree on interim compensation so that victims would not have to wait for help until liability is decided.

Smith suspended

Former Rhodesian rebel Prime Minister Ian Smith was suspended from Zimbabwe's parliament for a year because of a statement he made in Johannesburg opposing anti-apartheid sanctions against South Africa. Page 29

Afghan protest

Afghanistan protested to the UN against the shooting down by Pakistani fighters of what it said was a civilian aircraft carying 49 passengers and crew.

Swedish arms

A Swedish Government report called for tighter control of weapons manufacturers, especially in relation to their marketing activities abroad, exports, and co-operation with foreign companies in the joint development and manufacture of armaments.

Greek church bill

The Greek Parliament was set to pass a controversial bill transferring administrative control of property worth billions of drachmas owned by Greece's Orthodox Church to the State, despite strong reaction from the church hierarchy and the Conservative opposition.

Madrid strikes

An estimated 1.2m metro commuters in Madrid were stranded by striking underground railway workers, who joined coal miners, steel and oil refinery workers in Spain's latest wave of stoppages over wage demands.

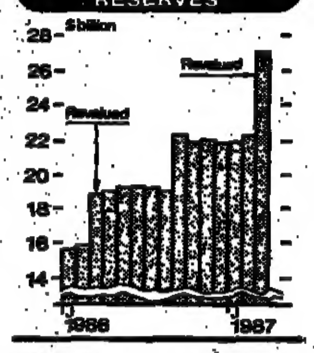
Business summary

CGE lifts profit 45% ahead of launch

COMPAGNIE GENERALE d' Electricité (CGE), French nationalised telecommunications and engineering group due to be privatised next month, reported a 45 per cent rise in 1986 consolidated net earnings to FFr 1.72bn ($286m), against FFr 1.19bn the year before. Page 21

GUINNESS, UK beverages and leisure group is to sell its retailing activities, estimated by analysts to be worth $400m. Page 21

UK OFFICIAL RESERVES



BRITAIN'S gold and foreign currency reserves showed their largest monthly rise for nearly a decade, reflecting the Government's efforts to prevent sterling from rising. The Treasury said the reserves totalled $24.15bn at the end of March compared with $22.26bn a month earlier, using last year's valutation. After jthe annual revaluation, the total goes up to $27.04bn.

TOKYO: A broad advance took prices to a record yesterday as investors were reassured by a dip in the yen and a rise on Wall Street. The Nikkei average rose 327.54 to 22,367.72. Page 46

LONDON: Despite caution caused by concern over the US-Japanese trade dispute, equity prices rallied slightly. The FT-SE 100 index rose 14.6 to 1,967.7, while the FT Ordinary index was 9.8 up at 1,587.8. Page 46

WALL STREET: At 2pm the Dow Jones industrial average was up 8.95 at 2,325.00. Page 46

GOLD rose $1.50 to $420.75 on the London bullion market. It also rose in Zurich to $419.75 ($419.15). Page 36

DOLLAR fell in London to Y146.70 (Y148.75); to SFr 1.5195 (SFr 1.5215); but rose to DM 1.8215 (DM 1.8205); and to FFr 6.06 (FFr 6.0575). On Bank of England figures the dollar's exchange rate index rose to 102.1 (101.8). Page 39

STERLING fell in London to $1.6030 ($1.6050); and to SFr 2.44 (SFr 2.4425); but rose to FFr 9.7250 (FFr 9.7225); and remained unchanged at Y235.50 and DM 2.9225. The pound's exchange rate index fell 0.2 to 71.4. Page 39

BRITISH PETROLEUM, which began its $7.4bn cash tender offer for Standard Oil, its US affiliate, is considering selling part of its interests in Prudhoe Bay, North America's biggest oilfield, and the big Trans Alaska Pipeline System. Page 24

FRAMATOME, French nuclear power plant builder, raised net profits for 1986 to FFr 777m ($129.5m), with sales rising 38 per cent to FFr 13.2bn. Page 21

TRANSATLANTIC, Swedish liner shipping group, posted a SKr 7m ($1.1m) profit after financial items for 1985. Page 24

HOOGOVENS, Dutch steelmaker, reported 45 per cent lower earnings for 1986 compared to the previous year because of the weaker dollar and lower selling prices. Page 24

BRITISH AEROSPACE of the UK, is to buy Royal Ordnance, the state-owned munitions business for £190m ($304m). Page 7

BANK of Montreal is converting at par up to $100m of debt owed by Brazil into equity investment in the Brazilian economy. The bank said that foreign creditor institutions had a strong interest in restoring healthy growth to Brazil.

IBM launches new computer range to beat clone-makers

BY ALAN CANE IN LONDON AND LOUISE KEHOE IN SAN MATEO

IBM YESTERDAY announced a new and considerably more powerful range of personal computers which should decisively reaffirm its leading position worldwide in the $26bn-a-year personal computer business.

Industry observers agreed that, at a stroke, IBM had raised the stakes in personal computing to a new level, just as it did when it first entered the market in 1981.

Its bid to secure its leadership position is flawed, however, by delays of up to nine months in availability of the biggest of the new machines and the software to run it.

There was agreement, however, that the new range – which includes a computer capable of handling 32 bits of information at a time, just like a mainframe computer – should enable the world's largest computer maker to wrest back market share it has lost in the past year to manufacturers and distributors of "clones", personal computers identical in design to IBM's, but cheaper and often superior in performance.

In the US, IBM's share of the market fell to 22.5 per cent this year compared with 28.5 per cent a year ago in Europe, the decline has been smaller, 33.2 per cent to 26.7 per cent.

Personal computers costing up to $10,000

Market shares worldwide (%)

	1986	1985
IBM	22.5	28.5
Apple	5.5	6.9
NEC	5.0	4.4
Commodore	2.6	4.2
Compaq	3.7	3.0
Tandy	3.0	2.5
Others (clones etc)	57.7	50.4

Source: Dataquest

IBM's existing personal computers are simple to copy but the machines launched yesterday have at least two special features that will give clone-makers a hard time:

● They offer built-in features including high-quality graphics and networking facilities which have been designed into special custom chips. These chips will prove difficult for a clone maker to copy.

● The internal structure of the maschines owes a lot to IBM's experience of mainframe computer design, especially in the techniques for moving information from one area to another. IBM says this redesign has been very expensive. It would cost a clone maker substantial sums and at least 18 months to catch up, IBM claims.

The only company likely to remain unscathed by IBM's move, experts thought, was Apple which had recently launched its own 32-bit machine with a design quite unlike IBM's.

The new range, which IBM calls the "Personal System/2", should also prevent its competitors from gaining a significant foothold in major corporate accounts, which represent roughly half of the overall PC business and where the IBM PC is still overwhelmingly the preferred personal computer.

Yesterday's announcement, made simultaneously in every country in which IBM has a significant presence, had been anxiously awaited by competitors, customers and dealers and had been anticipated by flurries of rumours and counter-rumours.

Four computers were announced: a low-end maschine costing just over £1,000, two intermediate level computers and a top-end machine featuring one of the most powerful microprocessors available today, the 32-bit Intel 80/386. A typical top-end machine will cost about £5,000.

The larger machines use a new software control program or operating system jointly written by IBM

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Bonn fails to resolve its differences with EEC

BY DAVID MARSH IN BONN

THE European Commission and West Germany remained in dispute yesterday over the EEC's agricultural policy after an extraordinary meeting in Bonn between the two sides to try to iron out differences.

Mr Jacques Delors, the president of the Commission, who issued a new call yesterday for a "dynamic" Germany to carry the Community forward, tried to adopt a conciliatory tone over the divisions left unbridged after the meeting.

But the extent of the discord – which is casting a considerable pall over the Community's efforts to solve its budgetary crisis – was underlined by Mr Helmut Kohl, the West German Chancellor.

Mr Kohl, under the political pressure of repeated and determined demonstrations by German farmers in recent weeks, declared yesterday that more "heated discussions" could be expected in Brussels over the EEC's plans to cut German agricultural incomes.

Giving clear support to the recent blocking tactics in Brussels adopted by Mr Ignaz Kiechle, the German Agriculture Minister, Mr Kohl said he would not allow farmers to stand alone in the current tussle with the EEC. "German farmers should not become victims of EEC policies," he said.

In particular, the German Government is resisting the EEC plan to phase out monetary compensatory amounts (MCAs) on the grounds that this could spell ruin for thousands of small German farmers. MCAs are the export subsidies and import taxes which protect farmers from the impact of currency movements.

The Government's stance was given firm backing by the Social Democratic Party (SPD) opposition in a Bundestag debate yesterday.

Mr Delors, speaking after two days of Commission deliberations in Bonn, including a session yesterday morning with Mr Kohl and seven German ministers, did his best to play down the differences.

Answering questions at a press conference, he did however show annoyance at the recent publication by Bonn of a critical letter sent by Mr Kohl to the Commission.

He announced that in three weeks time, the Commission would be revealing a plan to grant direct aid to farmers in member countries hit by latest proposals for price cuts and production quotas.

Additionally, as part of a general move to give more economic impetus to the Community, he said he would be proposing later this year a second stage of liberalisation of capital controls in EEC countries.

He said both the Government and the Commission agreed on the "diagnosis" that the Common Agricultural Policy needed to be changed.

He also said he hoped he had made clear to Bonn the difference between proposals for general cuts in prices for all EEC farmers, and those which would ensue only for the Federal Republic under the plan to scrap the positive MCAs presently enjoyed by German farmers.

Big chill sets in, Page 18

Lawson denies exchange rate targets as reserves soar

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

MR NIGEL LAWSON, the British Chancellor of the Exchequer, denied yesterday that he had revealed precise targets for the pound's exchange rate against the dollar and D-Mark, but said his policy remained directed at holding sterling's value at around present levels.

His comments followed news that Britain's official reserves of foreign currency and gold rose by $1.8bn last month, the biggest monthly increase for nearly 10 years. The rise, which took financial markets by surprise, reflected heavy intervention by the Bank of England to prevent the pound rising against other major currencies.

Mr Lawson, briefing journalists ahead of next week's meetings at the International Monetary Fund in Washington, said that remarks he had made on Wednesday at a meeting of the National Economic Development Council had been misunderstood.

At the NEDC talks Mr Lawson was reported as suggesting that he wanted to keep the pound "around" DM 2.90 and $1.60. Yesterday, however, he said that his remarks at the meeting with industrial trade union leaders had merely been aimed at reminding those present of what current rates were.

He commented: "Because some members (of the NEDC) are not familiar with what current exchange rates are ...I informed them in very round terms of what the current dollar and D-Mark rates are. And that is all." He added that the reports of specific targets which followed had therefore been a "complete non-event" and a "complete mystery."

Mr Lawson said he had made his views quite clear since February's meeting of major industrial countries in Paris, when finance ministers from six nations agreed to foster a period of stability on foreign exchange markets.

Britain's policy was to hold sterling around current levels but without being too precise in its objectives in order to preserve the authorities' tactical edge in the foreign exchange markets.

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J. David Barnes, Mellon Bank chairman

Mellon Bank halves payout

By William Hall in New York

MELLON Bank Corporation, parent of one of the proudest US banks which in its heyday helped to create industrial giants like Alcoa and Gulf Oil, yesterday underlined its fall from grace by halving its dividend and reporting its first ever quarterly loss.

Mellon, the 12th biggest US banking group, surprised the US financial community by warning that it would report a first quarter loss in the range of $55m to $65m and by reducing its second quarter common stock dividend from 69 cents a share to 35 cents a share.

The group said that it will make a $175m provision for loan losses in its first quarter of which $95m will be chargeoffs and $80m in additions to the loan loss reserve. Mellon's share slumped by $6¼ to $44¼ in early trading yesterday following the news.

Mr David Barnes, Mellon's chief executive, said yesterday that "our actions – including loan chargeoffs and increasing the reserve for possible loan losses – are designed to address four specific areas of concern in our wholesale lending portfolio.

"These are loans we have made in the energy belt, loans to lesser developed countries, loans to some basic industrial companies, and several commercial real estate credits."

Mellon's announcement shocked Wall Street where, until relatively recently, it has been considered one of the "blue chips" of the US banking establishment, almost akin to J. P. Morgan.

The bank was founded in 1869 by Mr Thomas Mellon, who came to Pittsbourgh from Ireland, and quickly rose to fame financing famous US steel barons such as Andrew Carnegie and Henry Frick.

The Mellon family, one of the ri-

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UK will retaliate unless Japan acts on trade

BY MICHAEL CASSELL IN LONDON AND IAN RODGER IN TOKYO

THE BRITISH Cabinet yesterday served clear notice on the Japanese Government that it was prepared to retaliate unless there were early moves in Tokyo to narrow the trade imbalance between the two countries.

UK ministers, who are nevertheless anxious to avoid an escalation of the present problems, decided to invoke provisions contained in the Financial Services Act which will enable them to refuse new licenses for Japanese banks and insurance companies wishing to operate from London.

Downing Street made clear that the move was not directly connected with efforts to ensure Cable & Wireless gains a reasonable foothold in the Japanese telecommunications market.

Refusal of a banking or insurance licence in the UK is permitted under the act if reciprocal access to its own financial market is not granted by the other country concerned. This means the act cannot be used in connection with the Cable & Wireless (C&W) row.

UK government officials reiterated, however, that Japan's response to the application of C&W for full and substantial participation in its telecommunications market would be seen as a test of its willingness to open up its markets generally.

The orders under the Financial Services Act, which also enable the withdrawal of existing licences, were laid yesterday by the Department of Trade and Industry although they cannot take effect for 21 days.

The measures do not include the 58 Japanese security houses operating from London, but these could be affected later in the year when the act takes full effect. There are 29 Japanese banks in London and nine insurance companies.

Shortly before the Cabinet session began, Mrs Margaret Thatcher, the British Prime Minister, received a letter from Mr Yasuhiro Nakasone, her Japanese counterpart, saying that he intended to give the C&W situation his personal attention. He also expressed the hope for a solution acceptable to all concerned.

The message was in response to a letter on March 4 from Mrs Thatcher, which expressed concern about the apparent freezing out of C&W from the Japanese market and about the general trade situation between the two countries.

Mr Nakasone's reply was welcomed by ministers who do not intend to take any action until Mr Michael Howard, the UK Minister for Consumer Affairs, returns from his visit to Japan, which begins tomorrow. Sir Geoffrey Howe, the Foreign Secretary, will discuss the Japanese trade issue with EEC ministers over the weekend.

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Nomura dominates Eurobond market

BY CLARE PEARSON IN LONDON

THE CONTROVERSIAL rise of Japanese financial institutions in the City of London was underlined yesterday with the publication of figures showing Nomura International, part of the biggest Japanese securities house, dominating Eurobond new issues business during the first quarter.

Nomura brought 11.1 per cent of all Eurobonds to the market in the first quarter, well ahead of its nearest rival Deutsche Bank, with 6.9 per cent.

Nomura's leap to the top of the closely watched book-runners league tables comes amid calls from UK legislators for sanctions against Japanese financial institutions in London as part of a trade dispute.

The rapid expansion of the activities of the Japanese houses in the Eurobond market – which is mainly centred in London – has provoked criticism from the US and European houses who have traditionally dominated the new issues market.

"They've simply gone out and bought market share, using their massive profits in the Tokyo market to subsidise loss-making Eurobond deals," said one competitor yesterday.

The Japanese houses point to shifts in investor preferences to explain their achievement, however. Given the long-term decline in the dollar, international investors have been turning more and more to other currencies and the Japanese houses' dominance of the Euroyen market has enabled them to take advantage of this.

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French Socialists seek to close ranks at congress

BY PAUL BETTS IN PARIS

THE French Socialist party meets for a special three-day Congress today aimed at closing ranks in advance of next year's presidential election, but amid uncertainty as to who will be the party's presidential candidate.

The congress comes at a time when a new opinion poll shows that 57 per cent of voters see no real difference between the Socialists and the right-wing coalition government, and 65 per cent would like the party to move closer to the centre.

The unexpectedly large crowds that greeted President Francois Mitterrand on his tour of eastern France this week are bound to add to the pressures on him to stand for a second term.

The two other potential candidates are Mr Michel Rocard who had a large hand in its conversion to a more Social Democrat colour, and Mr Jacques Delors, the president of the EEC Comission, who recently called for an "ideological truce."

President Mitterrand will not make known his decision until shortly before the campaign opens. To announce his candidature earlier, or formally to stand down from the contest would weaken his position as president in the final year of his term of office.

President Mitterrand: no decision on future

In the absence of any final decision on a candidate, the party cannot draw up its platform, as the shaping of this will depend on who is chosen.

Mr Thierry Pfister, an adviser to former prime minister Mr Pierre Mauroy, described this uncertainty as a "cancer that is gnawing at the party and threatens to downgrade it to the level of an electoral committee."

None the less the congress will have a text before it that lays out the middle-of-the-road socialism that the party has adopted in the wake of its experience in office between 1981-86.

This emphasises improving industrial competitiveness but denounces the excesses and inequalities of the free market programme of Mr Jacques Chirac's conservative administration. It also puts more emphasis on social measures, from greater dialogue with the unions to work-sharing and a minimum "social wage" as a safety net against poverty.

But the text is virtually silent on the Socialists response to the Government's popular programme of privatisation—thus leaving little doubt that it would not attempt to reverse it.

Unlike previous congresses there will not be a vote on the text as the different factions in the party have endorsed it in advance.

The meeting is thus seen as an occasion to demonstrate party unity and to boost the morale of the rank and file. It is being held in Lille — the stronghold of Mr Mauroy — and will culminate on Sunday with a mass meeting drawing in the party faithful in the north.

US soldier granted asylum by Moscow

By Our Foreign Staff

THE Soviet Union said yesterday that it had granted political asylum to a US soldier and his wife, as the controversy surrounding the security of the American embassy in Moscow deepened.

US officials in Washington told the New York Times that Mr George Shultz, the Secretary of State, may not be able to hold confidential discussions in the Moscow embassy because of listening devices placed there by the Soviet secret services.

Mr Gennady Gerasimov, the Soviet Foreign Ministry spokesman, said that a US serviceman named W. Roberts and his West German wife, P. Neumann, had sought asylum while honeymooning in the central asian republic of Turkmenia. They had gone there, he said, "to hunt for snakes."

The soldier, later identified as William E. Roberts, had been stationed in West Germany. It is not known what his duties were, or what secrets, if any, he could have passed on to Moscow.

Yesterday's revelation comes on top of news at the weekend that security at the US embassy may have been compromised by two Marine guards.

They allegedly allowed officers of the KGB, the Soviet secret police, access to the embassy's communications rooms. The two Marines are under arrest in the US, and a third has been called in for questioning over the allegations.

Washington has announced the recall of the 28 Marines stationed in Moscow, and inquiries at congressional and bureaucratic level are being set up.

The revelation of the Marines' alleged treachery represents the biggest security lapse in US-Soviet relations since Mr Edward Lee Howard, an agent of the Central Intelligence Agency, defected to the Soviet Union in August last year.

Mr Frank Carlucci, the President's national security adviser, is reported to have advised that the Marines be given immunity so as to ascertain the extent of their treachery, but this was turned down.

A spokeswoman at the State Department in Washington said on Tuesday that communications between the Moscow embassy and Washington remained secure, despite the KGB's activities, because of the sophistication of the technology employed.

Mr Jack Matlock, the US Ambassador-designate to the Kremlin, said on his arrival in Moscow yesterday that secure communications would be restored by the time Mr Shultz arrived for his meeting with Mr Edward Shevardnadze, the Soviet Foreign Minister, on April 12-14.

The Soviet Union has made light of the incidents over recent days. Mr Gerasimov said on Tuesday that he thought the talk of spies was an April fool joke. "I believe this is another episode in spy-mania," he said, although he did not deny directly that the events had occurred.

He said he wondered why diplomats were not being withdrawn along with the Marines, as they too were presumably vulnerable to being seduced by Soviet women working at the embassy. "If all the Marines in Moscow are afraid of a Soviet Mata Hari then so too should the diplomats," he said.

John Wyles reports on the Christian Democrats' mounting woes

Craxi hangs on to reins of power

OF ALL the problems with which the Italian political system has had to deal in the last 40 years, changing prime ministers has not been one of them. Until 1983 Christian Democrats — 13 in all — spun in and out of office with a frequency which made Italy, somewhat misleadingly, a byword for political instability.

On more than one occasion since he became the first Italian Socialist prime minister three-and-a-half years ago, Mr Bettino Craxi has seemed in danger of succumbing to this apparently relentless trend. But determined Christian Democrat efforts to dislodge him in favour of one of their number were fruitless until Mr Craxi's resignation a month ago, when the prize at long last seemed to be in the grasp of Italy's largest party.

However, the subsequent political crisis has been a tale of increasing frustration for the Christian Democrats, culminating in Wednesday evening's bizarre climax when President Francesco Cossiga decided to refuse Mr Craxi's resignation and to insist, instead, that his government face a vote of confidence in parliament next week.

So the 53-year-old Mr Craxi remains fully in power at least until next Wednesday or Thursday. The next few days should give some clues as to what may happen, although early general elections still look as likely as they did when the crisis first broke.

Against all expectations, however it is the Christian Democrats who have been forced into a dangerous corner by Mr Cossiga's initiative. To understand why, it is necessary to look back to the crisis of last July when Mr Craxi resigned after suffering a parliamentary defeat on a secret vote within days of carrying a vote of confidence.

The deal which restored Mr Craxi to the premiership was built on an understanding that the Socialist premier would resign at the time of his party's congress — taking place in Rimini this week — and that leadership of the five-party coalition government would revert to the Christian Democrats.

It was also understood that the parties would seek political formulas which would prevent the holding of referenda on nuclear energy and judicial reform. The Christian Democrats and Republicans insisted then and have been adamant for the past month that the referenda would damage the Government's fragile cohesion because the parties would be bound to take conflicting positions on the issues.

With relations between the Christian Democrats and the Socialists becoming daily more poisonous, Mr Craxi duly resigned on March 3, having warned that there was nothing "automatic" about a Christian Democrat succession.

Bettino Craxi: still at the helm

The latter's strongest candidate, Mr Giulio Andreotti, then laboured for three weeks without ever reconciling the Christian Democrat position that the referenda must be avoided with the Socialist insistence that they must go ahead.

There are reasons for believing that the two parties chose to fall out over the referenda issue. One is that past coalition governments have survived bitter internal conflicts over divorce and abortion referenda.

A deadlock, however, has enabled Mr Ciriaco de Mita, the Christian Democrat secretary whose loathing and distrust of Mr Craxi grows daily more obvious, to claim that the Socialist leader was not a man of his word

The Socialists were offered concessions by Mr Andreotti which would have given the sponsors of the referenda everything they were seeking by popular vote. Nevertheless, the party has insisted that the people must decide.

For all their protestations to the contrary, it is reasonable to conclude that both the Socialists and the Christian Democrats are happy to have elections due in June 1988 brought forward. Their politically vital interest, however, is not to be left with the generally unpopular responsibility for forcing the elections.

This is the edge of the precipice upon which the Christian Democrats have been left by President Cossiga — a man drawn from their own ranks. If they vote down Mr Craxi next week, the blame for elections will be theirs.

If they leave him in office, the referenda will go ahead in June, and, whatever might have been the case three months ago, their relations with the Socialists are now so bad that Mr Craxi will exploit every opportunity for laying a variety of woes at the Christian Democrat door.

Sweden urges new weapons controls

BY SARA WEBB IN STOCKHOLM

A SWEDISH Government report called for tighter control of weapons manufacturers, especially in relation to their marketing activities abroad, exports, and co-operation with foreign companies in the joint development and manufacture of armaments.

The report, published yesterday, looked at the Swedish defence industry's activities abroad under existing export regulations. It comes at a time of acute national embarrassment over Nobel Industries' admission that its ordnance subsidiary illegally exported missiles to the Middle East via Singapore.

Mrs Anita Gradin, the Swedish Foreign Trade Minister, said that arms exports to Singapore have since been stopped.

The report suggests that Swedish companies should produce written confirmation in future that weapons exports arrive and are used only in the country buying the goods.

It urges the government to take a tougher line on weapons marketing overseas. Swedish arms manufacturers are not subject to any restrictions on marketing activities at the moment even though the Swedish authorities do not approve exports to countries in areas of conflict such as the Middle East.

In future, the government would need to approve marketing plans and could prevent swedish companies from submitting quotations or entering agreements with unsuitable customers.

EEC lifts social fund distribution

By Tim Dickson in Brussels

BRITAIN and Italy will be the two biggest recipients of the EEC social fund this year, according to figures announced yesterday by the European Commission in Brussels. But Spain and Portugal, the two newest member states in the Community, will between them take more than a 25 per cent share.

The total distribution this year of Ecu 3.087bn ($3.52bn) compares with Ecu 2.6bn in 1986, and will be directed primarily at training and employment initiatives for young people under 25.

Under the rules of the Social Fund only 50 per cent of the costs of the projects can be covered, implying a contribution of the balance from the member state concerned. This rises to 55 per cent in the so-called less favoured areas such as Greece, Ireland, Portugal, and parts of Italy, France and Spain.

The breakdown for 1987 shows that Italy will receive Ecu 635.04m, or 20.57 per cent of the total, with the UK the next biggest single beneficiary with Ecu 580.44m or 18.8 per cent. Portugal and Spain have been allocated Ecu 348.25 (11.28 per cent) and Ecu 443.72m (14.37 per cent) respectively but Greece is only in line for Ecu 178.89m (under 6 per cent).

Paris expels diplomats

BY GEORGE GRAHAM IN PARIS

FRANCE has expelled three Soviet diplomats following the discovery of a network accused of spying on the Ariane space rocket.

The French Foreign Ministry in a statement last night did not name the diplomats, who it said had carried out "activities incompatible with their mission and their status."

The three are expected to have included Mr Valeri Konorev, assistant air attaché at the Soviet Union's Paris embassy, who according to official leaks in the French press controlled the Ariane spy network.

Seven people were charged two weeks ago with supplying information to a foreign power.

Athens set to approve church bill

By Andriana Ierodiaconou in Athens

THE GREEK parliament was set yesterday to pass a controversial bill transferring administrative control of property worth billions of drachmas owned by the Greek Orthodox Church to the state, in spite of strong protests from the church hierarchy and the conservative opposition.

The 300-member house, in which the governing Socialist Party has an absolute majority, was expected to vote on the bill late last night, with the result a foregone conclusion.

The legislation is opposed by the conservative New Democracy party, which supports the church view that the bill violates its administrative autonomy, laid down in the constitution.

In a last-minute session Mr Antonis Tritsis, the Religious Affairs Minister, tabled amendments to the bill on Wednesday night minimising the proposed role of government-appointed prefects in the administration of church assets. The initial indications yesterday, however, were that the amendments had failed to appease the church leadership.

The church has said it does not object in general terms to the provisions of the bill which call for the distribution of an estimated 1.3m hectares owned by monasteries around the country for agricultural use.

It is opposed to articles establishing state control over urban assets owned by the church.

In its effort to pressure the Government into withdrawing the legislation, which was submitted in early March, the church hierarchy boycotted this year's March 25 Independence Day celebrations.

The church followed up with a protest demonstration attended by several thousand clergy and faithful in Athens' central Constitution Square,

Swedish industry calls for corporate tax reform

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SWEDISH INDUSTRY yesterday called for a radical reform of corporate taxation, including a halving of the present nominal tax rate.

The Swedish Industry Federation is proposing a cut from the present 52 per cent to 25 per cent, combined with a substantial broadening of the tax base and limiting the present generous provisions for creating untaxed reserves.

The overall burden — Swedish companies currently pay an effective rate of about 20 per cent — would be unchanged.

Sweden has one of the highest levels of tax in the world, mainly because of its high personal tax rates. Corporate tax rates are relatively favourable by international standards.

The Industry Federation claimed that its reform package would create better conditions for industrial growth and increased investments

SDI 'could upset Atlantic pact'

BY QUENTIN PEEL IN BRUSSELS

SUCCESS OF President Reagan's Strategic Defence Initiative (SDI), leading to space-based defence by both US and Soviet Union, would fatally compromise European security and threaten the Atlantic alliance, according to a study out yesterday.

Deployment of strategic defence by both super-powers would mark the end of the Nato nuclear policy of "flexible response" to Soviet aggression, it says.

Western Europe should therefore treat SDI with great caution, and prepare fall-back positions for its own security in the event of the research leading to effective nuclear "umbrellas."

The study was written by Mr Harald Muller, director of international programmes at the Frankfurt Peace Research Institute, and published by the Centre for European Policy Studies in Brussels.

He argues that installation of strategic defence systems would virtually rule out the low-level "limited option" attacks on which Nato's flexible response strategy relies: only massive nuclear attacks would stand any prospect of penetrating such defences.

"The use of nuclear weapons for limited political and military purposes would become all but impossible," Mr Muller says.

The problem for West European members of Nato is that the doctrine of flexible response has been the one way in which the US has been convincingly persuaded to maintain its contribution to European nuclear defence, he says.

By presenting a credible strategy involving only very limited nuclear strikes in its early phases—with the threat of massive escalation only as a last resort—the US has been persuaded to put its own ultimate national survival on the line in the defence of Europe.

"Nato relies on limited nuclear options as the essential glue which binds US strategic forces to the European theatre," Mr Muller says. "The Soviet Union is far less dependent on limited strikes."

In addition, the imbalance of conventional forces in Europe means that the "burden of escalation" on the lower rungs of the escalation ladder is on Nato, rather than the Warsaw pact.

Strategic Defences: the End of the Alliance Strategy? by David Muller. (Centre for European Policy Studies, Rue Ducale, 33, Brussels.)

Bonn backs compromise on EEC research plan

BY WILLIAM DAWKINS IN BRUSSELS

THE West German Government yesterday gave is suport to an Ecu 6.48bn (£4.58bn) joint EEC research programme in a move that leaves Britain embarassingly isolated.

Speaking in Bonn, Chancellor Helmut Kohl confirmed that he accepted in principle a compromise plan put together by Belgium in a final bid to find an agreement on the hotly debated five-year scheme.

Mr Kohl called the research scheme "a piece of investment for the future."

His decision leaves the UK the only one of the 12 member states still refusing to accept the programme. London is likely to be exvposed to a fresh round of criticism from the European Commission, the European Parliament and other member states that its refusal to accept the scheme is threatening a crisis for the Community's research industry.

Mr Guy Verhofstadt, Belgium's Deputy Prime Minister and present chairman of the EEC's Research Council, last week gave Britain and West Germany until today to decide if they could accept his Ecu 6.48bn proposal, a much slimmed down version of the Ecu 7.735bn scheme the commission had been asking for.

The present research budget expires at the end of this year.

West German officials told Mr Verhofstadt's office yesterday that Bonn still wanted some detailed changes to the scheme, though these would be small enough to be worked out between national officials.

Britain is thought unlikely to observe today's deadline, not least because Mrs Marget Thatcher's absence in Moscow

London's formal stance is that it cannot accept more than Ecu 4.2bn, but Mr Verhifstadt holds that the programme would become meaningless at anything less than his figure.

However, he is unlikely to take any absence of a British reply today as a definitive refusal

Anglo-German journalism prize for FT reporter

PETER BRUCE of the FT's Bonn staff, and Mr Ulrich Grudinski of the Frankfurter Allgemeine Zeitung, have been awarded the Anglo-German Foundation's new journalism prize for outstanding contribution to understanding between Britain and West Germany.

The DM 10,000 prices were presented to the two journalists by Lord Crohan the foundation chairman, at the Konigswinter conference centre near Bonn yesterday.

The object of the prize, announced by West German President Richard von Weizsaecker during his state visit to Britain last July, is to encourage British and German journalists to cover the other country's affairs in greater depth.

The foundation said that the winners were chosen for the consistent excellence of their coverage during 1986. Mr Bruce 34, has worked in the FT's Bonn office for two-and-a-half years, Mr Grudinski, 59, has reported from London for 11 years.

Veba chief warns on N-plants

By David Marsh in Bonn

PLANS TO build new West German atomic power stations will have to be put on ice until domestic political consensus on the nuclear programme is restored, according to the chairman of Veba, the energy conglomerate which owns West Germany's biggest nuclear power utility.

Mr Roudalf von Bennigsen-Foerder, speaking shortly after the full privatisation of his company through a DM 2.5bn (£855m) share flotation last week, said he hoped the country would be able to use a "pause for thought" to work out the future of nuclear power in West Germany.

His statement is one of the most cautious yet on nuclear prospects from a German energy chief. Concerning plans by Preussenelektra, the Veba electricity generating subsidiary, to build a nuclear plant at Borken in the state of Hesse, Mr von Bennigsen said: "The most decisive question—and the one which is still open—is political."

Beyond the three German nuclear plants already being built, some German energy analysts have been forecasting that no new nuclear plants may come on stream this century because of sluggish growth in electricity demand and public acceptance difficulties after the Chernobyl accident.

Preussenelektra, the second-largest German utility, generated 66 per cent of its electricity from nuclear plants last year, more than any other electricity utility. The proportion is due to rise to 75 per cent this year now that a plant at Brokdorf in Schleswig Holstein is on stream.

Preussenelektra's bid to obtain regulatory approval for the proposed 1,300 MW Borken plant was turned down last year by the Hesse state government. The utility as appealing against the decision at the Kassel administrative court.

Mr von Bennigsen said on economic grounds the Borken plant would need to go into operation by 1995. "But before we make a decision to build, we would need political consensus restored," he said.

With five state elections during the next six months "this year will not be the time for this to happen," he added.

Veba also owns a 39 per cent stake in Ruhrkohle, the country's main coal producer, and has 100 per cent of Veba Kraftwerk Ruhr, the utility, which is the largest user of coal in West Germany.

Mr von Bennigsen said that the country had to stick to using nuclear energ unless it wanted to damage the "contract of the century" under which more than 40m tonnes a year of German anthracite is burned in coal power stations.

"We need a mixture of energy sources—including imported coal, lignite and hydro-electricity as well. Only then can we maintain a long-term place for expensive German coal."

Haig Simonian reports from Frankfurt on the background to Sunday's state elections in Hesse

Test of credibility for Germany's Social Democrats

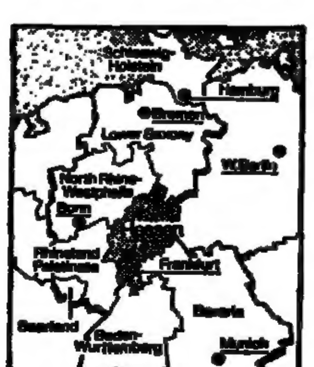
THE ISSUES are familiar, the faces are well-known, but the outcome of Sunday's poll in the state of Hesse, coming just ten weeks after West Germany's general election, has already taken on greater significance.

It looked like a walkover for the opposition at first. The sudden and acrimonious breakdown in early February of the ruling "red-green" coalition between Social Democrats and the environmentalist Green Party, which ran Hesse for 14 months, seemed to confirm the SPD's exhaustion after an uninterrupted 40 years in power, and the Greens' unpredictability.

The coalition itself was a milestone in West German politics, representing the first time that the Greens had shared power at state level since they were formed in 1979. Moreover, Mr Joschka Fischer, a popular and charismatic Green Party leader, took over as Hesse's Minister for the Environment and Energy.

Though short on new policies, many observers reckoned it was a major achievement for the ground-breaking coalition to last as long as it did.

What forced the SPD and the Greens apart was nuclear power, and, more precisely, what to do about the Allkem-



Nukem nuclear field rod plant at Hanau, east of Frankfurt.

Both parties want to move away from nuclear energy towards other forms of generating electricity. But they differ sharply over details and timing.

The Hesse coalition survived, thanks to a willingness to paper over the cracks. Until Mr Fischer called for an immediate closure of the Hanau plant, the two parties had seemingly agreed that the nuclear issue was one which ultimately had to be decided at national level.

Mr Holger Boerner, the Social Democratic Minister President, objected to a closure of the plant, and the Greens pulled out of the coalition, precipitating new elections which had been scheduled for September. Meanwhile, Mr Boerner, who has not been well, announced he would step down.

Since then, most of West Germany's political leaders have been making a bee-line for Hesse. Their enthusiasm stems not only from Hesse's role as West Germany's fifth most populous state, but also from the importance the nuclear issue has gained in national terms and the special significance of the red-green coalition.

For the SPD, seemingly lacking direction at national level, returning to power in the state parliament in Wiesbaden is a test of its credibility.

After its disappointing showing in the January general election under its candidate for Chancellor, Mr Johannes Rau, and its recent internal wrangles which led to the brusque resignation of Mr Willy Brandt as party chairman, the SPD could not afford to lose in its heartland.

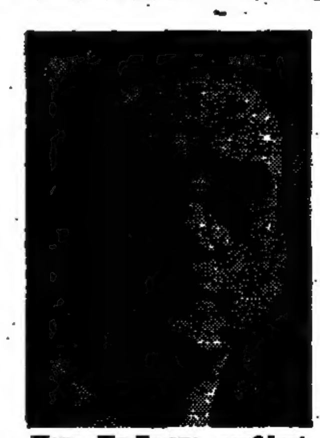
So a cavalcade of party leaders, including Mr Brandt and his successor, Mr Hans Jochen Vogel, have been addressing local rallies, alongside Mr Hans Krollmann, the SPD's leading candidate for Sunday's polls. Mr Krollmann, the state's Finance Minister, has emerged as a more confident and appealing candidate than many would have supposed a few weeks back.

Yet he may need all his charm to face his Christian Democrat rival, Mr Walter Wallmann. Mr Wallmann has had the wind in his sails ever since wresting control of Frankfurt from the SPD in 1977. After winning a strong reputation as the city's mayor, Mr Wallmann was called to Bonn last June to take on a new portfolio as Federal Environment Minister in the wake of the Chernobyl crisis.

Mr Wallmann and the Hesse government are now locked in a complex legal dispute over operating approval for the Allkem-Nukem plant, which has developed into an argument on jurisdiction between federal and state governments and has triggered the involvement of the federal constitutional court in Karlsruhe.

Although nuclear power has dominated the polls, it is by no means the only issue for Hesse voters. School reform kindles almost as much passion.

The state government wants to extend the Foerderstufe—a limited form of comprehensive education—beyond the first four



Hans Krollman: confident candidate

years of primary school for a further two years. The change has already been introduced in about 60 per cent of Hesse schools.

But the cities of Frankfurt and Fulda, both controlled by the Christian Democrats, have so far resisted the change. Some conservative voters even talk of removing their children from the state system altogether if the Foerderstufe is brought in.

The Social Democrats and the Greens have already been making conciliatory noises, though neither side has been explicit about the details. Mr Krollmann says the SPD will not budge from its previous stand that Allkem-Nukem cannot be closed over night, nor can the plug on nuclear power be pulled instantly. However, the SPD believes existing nuclear plants should be decommissioned gradually and those under construction mothballed.

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Meanwhile, the Christian Democrats, in conjunction with the liberal Free Democrats, are hoping that voters will opt for a change and give them a clear majority.

If they get it—or in the unlikely event that the Social Democrats emerge with an absolute majority on their own—matters will be clear when the state parliament reconvenes on April 23.

But if, as now seems more likely, the electoral arithmetic only gives the SPD a majority in partnership with the Greens, the coalition talks will start all over again.

Mr Krollmann would hope to have a clear outcome by mid-May, before state elections become due in Hamburg and the Rhineland Palatinate. He may find, however, that he has some heads to knock together.

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Seoul registers record 40% rise in exports

BY MAGGIE FORD IN SEOUL

SOUTH KOREA had a record 40 per cent rise in exports during March, led by cars, electronics and textiles, the Ministry of Trade and Industry reported.

Total export earnings for the first quarter of 1987 are likely to reach $9.4bn (£6.7bn)—a 35 per cent rise over the same quarter last year.

Exports of electronics rose 52 per cent in March to $720m, led by colour television sets, video tape recorders, refrigerators and microwave ovens.

Precise figures for car exports were unavailable but are likely to have been boosted by the start of sales in the US of Daewoo and Kia motor vehicles.

The textile and footwear industries also increased exports over the same month last year. Textile exports reached $810m, up 29 per cent, and footwear registered a 23 per cent rise to a value of $195m.

Steel exports rose 8 per cent to $205m, but sales abroad were restricted by the increase in domestic demand from the booming motor industry.

By contrast, the import figure rose by only 8.5 per cent in the first quarter to $8.2bn. South Korea imports mainly raw materials and last year ran a substantial trade deficit with Japan.

The figures will do nothing to allay concern in Seoul that the country is likely to become the target of US protectionist measures.

Mr Hong Sung Jua, Vice-Minister of Trade, has said the Government would sternly punish industries engaging in unfair trade practices such as counterfeiting or dumping.

Hints have also emerged recently that the appreciation of the Won, the South Korean currency, against the dollar is likely to be greater than the 5 per cent originally envisaged this year.

A study by the Korea Trade Promotion Corporation published yesterday showed that a 10 per cent appreciation of the Won would produce an average decline of 3 per cent in imports, to $37.8bn in a full year, from the projected target of $39bn.

Exports to the US would be likely to decline by 5 per cent.

Harare borrows £70m to boost exports

BY TONY HAWKINS IN HARARE

BARCLAYS and Standard Chartered Banks yesterday signed loan agreements totalling £70m with the Zimbabwe Government to finance export promotion.

Dr Bernard Chidzero, Zimbabwe Finance Minister, said the two six-year loans, each of £35m, will be drawn down in four tranches over two years. The interest rate is 1.25 per cent above Libor for the first three years, rising thereafter to 1.375 per cent above Libor for the final three years. There will be a two-and-a-half-year grace period for both loans.

Dr Chidzero said negotiations were well advanced for two further export promotion loans with Grindlays Bank and the Bank of Credit and Commerce for £10m each.

The funds would only be made available to exporters in agriculture and mining as well as secondary industry to finance essential imported inputs.

The loans were "bridging" finance while talks continued with the World Bank on an export promotion loan.

The Finance Minister announced that foreign currency allocations had been cut 12.5 per cent for the first half of 1987 to Z$350m (£140m). The new loans would not help companies that do not export but a supplementary foreign currency allocation would be made to exporters.

In a separate development, the Zimbabwe Government announced that it had acquired an 85 per cent stake in the South African-controlled Astra Corporation, part of the Barlow Rand group, for £10.6m.

Moscow to reschedule $2bn Cairo arms debt

By Tony Walker in Cairo

THE Soviet Union has agreed to reschedule Egypt's military debt of about $2bn (£1.4bn) on generous terms, in another sign that it is anxious to improve relations with Arab states.

Egypt will repay money owed over 25 years with a six year grace period under an agreement reached in Moscow last month. Egypt will not have to pay interest on the debt, according to al Ahram, the semi-official Cairo daily.

President Anwar Sadat suspended payments on the military debt in 1977, a year after he abrogated a treaty of friendship and co-operation with Moscow.

The debt-rescheduling agreement opens the way for Egypt to resume purchases on credit, of spare parts for its Soviet military equipment. More than 50 per cent of Egypt's kit was supplied by the Soviet Union.

Egypt is also known to be anxious to enlist Soviet help in modernising factories built during the 1950s and 1960s era of close co-operation between Cairo and Moscow.

While President Hosni Mubarak's Government remains staunchly pro-Western, it has sought in the past several years to balance its relations with the superpowers.

Egypt returned its ambassador to Moscow in 1984. There has been a flurry of high-level official contacts between the two countries in the past year.

Egypt and the Soviet Union have also been working on a new three-year trade protocol expected to boost commercial dealings between the two countries. The protocol will be signed before the end of the year.

Two-way trade this year is expected to reach $850m. Egypt's exports to the Soviet Union include cotton, textiles and foodstuffs. Imports comprise heavy machinery, coal and spare parts.

Egypt has yet to reach agreement with the US on rescheduling payments on its military debt of $4.6bn.

Washington has offered Egypt short-term relief on its military debt. But Egypt has not agreed to the arrangement because of the requirement that additional interest be accrued on deferred payments.

Poll reverses mean Delhi is more open to separatist influence, Mervyn de Silva writes

Colombo fears Tamil pressure on Gandhi

SINHALA opinion in Sri Lanka was divided on the drubbing that Indian Prime Minister Mr Rajiv Gandhi's Congress Party experienced at the West Bengal and Kerala state elections last month. The Sinhalese, who make up 74 per cent of the island's 16m people and as many in President Junius Jayawardene's United National Party (UNP) hierarchy, found vicarious satisfaction in Mr Gandhi's defeats. They believe that the Indian leader, in his role as mediator in the island's ethnic conflict, has been less than even-handed, putting more pressure on the Government than on the separatist Tamil militants.

More thoughtful Sri Lankans, however, saw cause for worry. Of all the southern states in India, it was only in Kerala that the Congress Party had a toehold. The Congress-led coalition has now been defeated there and in Tamilnadu the Congress is a junior partner in Mr M. G. Ramachandran's Government. As a result of the electoral reverses, Mr Gandhi is likely to be more receptive to Tamilnadu pressures.

These Sri Lankan fears are based on the fact that Mr Ramachandran has acted as the main political patron of the Sri Lankan Tamils ever since 125,000 Tamils took refuge in Madras, the state capital, after vicious anti-Tamil riots in the southern parts of the island in July 1983.

Sinhala fears were heightened when Mr Gandhi flew to Madras twice in five days last week for talks with "MGR," as this one-time movie idol is popularly known. Mr Gandhi was accompanied by Mr P. Chidambaram, Minister of State for Internal Affairs and a close aide. He is also a key Congress politician from Tamilnadu, adding to Sri Lankan suspicion of an excessive Tamilnadu influence on Delhi's Sri Lankan policy.

Many in the party of President Junius Jayewardene believe that Mr Gandhi (right) has been less than even-handed in his role of mediator in Sri Lanka's ethnic conflict

There is a positive side to this influence, however. "MGR" is probably the only person who could influence Mr V. Prabhakaran, leader of the Tamil Tigers. The Tigers are the most powerful rebel group and also the most intransigent.

Mr Prabhakaran, devoted to the idea of "Eelam," a separate Tamil state, leads the only guerrillas in the world who sport cyanide capsules as neckwear. Moreover, Mr Prabhakaran, who has spent many years in his Madras "camp," now operates in the north after taking personal command of his "troops" in the face of what he predicted would be a "final offensive" by the army to recapture the Jaffna peninsula, the separatist stronghold.

The Tigers, according to the Government, were "licking their wounds in the jungles" after a recent month-long operation codenamed Giant Step, sprang back into battle at the end of March with characteristic fury. They killed 27 Sinhala villagers, including 15 women and children, in Serunewa, which is outside the peninsula. They also led pre-dawn raids on several army camps, overran sentry posts and attacked the 200-year-old Dutch fort in Jaffna, the main army barracks.

To further deflate Government and Sinhala morale, the Tigers took five soldiers and three policemen prisoners. Two days later, the area commander, Mr Krishnakumar (Col Kittu) said no to the Government's call for a ceasefire and negotiations directly or under Indian auspices. He was ready to swap the hostages for 25 Tigers held by the army.

In Madras, Mr Gandhi said he wanted Colombo to make an offer "that looks to us and does justice to the Tamils" by granting regional autonomy. He said President Jayawardene's December 19 offer met both conditions.

In terms of the offer, Ampara, in which most Sinhalese live, will be detached from the mixed Hindu Tamils, Tamil-speaking Moslems and Sinhala Buddhists in the eastern province. The leftover portion of the province could link up with the Tamil north to meet the Tamil aspiration for a "distinct homeland."

Two questions are left unanswered. Will the Muslims agree and will the Tigers, whose idea of a homeland is a total merger of the two provinces, agree? Mr Gandhi plans to deal with the rest of the Tamil leaders, including the moderate Tulf party which won all the seats in the Tamil north in the 1977 general election and some of the imlitant groups. Mr Gandhi's plan would leave Mr Jayawardene with the problems of residual terrorism.

The Sri Lankan conflict may be too complex for such a strategy. However, there is a chance that Mr Ramachandran's persuason and Indian pressure could make the Tigers agree to a compromise based on substantial devolution and the December 19 territorial arrangement. Mr Gandhi has a dilemma. He can crack down hard on the militants in Madras and cut off their supply lines to watch the Tamil insurgency gradually lose its fire-power and momentum.

By returning to the north with many of his trained cadres and arms Mr Prabhakaran may have anticipated this. But, on the other hand, Mr Gandhi cannot allow the Sri Lankan army to crush the Tamils militarily. This would rob India of all leverage over Colombo. And Mr Gandhi does have wider regional considerations on his mind.

Along with Mr P. Chidambaran, a Tamilnadu politician, Mr Gandhi took with him to Madras, Mr Natwar Singh, Minister of State for External Affairs, once a senior career diplamat. His selection last August as one of Mr Gandhi's two special envoys to Colombo sions of the Sri Lankan conflict. sions of the Sri Lankan conflict.

These aspects were again highlighted by the visit to Pakistan last week by Mr R. Premadasa, the Sri Lankan Prime Minister.

Describing the region's security environment as perilous, Pakistan's Prime Minister, Mr Mohammad Khan Junejo, said that Pakistan and Sri Lanka held similar view on the Indian ocean and praised Sri Lanka's "just and resolute policy in safeguarding its sovereignty and territorial integrity." He also mentioned Afghanistan. Mr Premadasa saluted Pakistan as a "staunch friend and loyal ally."

Domestically the Sinhala opposition, which represents close to 50 per cent of the Sinhala south, is not sure whether the UNP is keen on a settlement.

Unemployment and inflation are making the unions and the urban youth restive. A new police "anti-subversion" unit has alarmed the oppositon

Its stability, secular democracy and nonalginment under severe strain, Sri Lanka, in the light of its own past, is in the vice-like grip of one of the acutest crises of the Third World.

Rapid rise in foreign collaboration agreements

BY K. K. SHARMA IN NEW DELHI

THE EASING of controls on foreign investment and the decision to permit import of technology for modernisation of Indian industry led to a spurt in foreign collaboration agreements in 1986. These reached a record 957 involving a total foreign investment of Rs 1.07bn (£60m).

The US emerged the largest source of foreign investment and import of technology, accounting for 189 of the agreements. Of these, 118 were for transfer of technology while 71 others involved foreign investment worth a total of Rs 294m, thereby reflecting a new interest

West Germany came next to the US in 1986, accounting for 183 collaboration agreements, of which 143 were for transfer of technology and 40 involving financial investment of Rs 206m.

Britain, once India's leading industrial partner, came third in 1986 with a total of 130 collaboration agreements of which 107 were for transfer of technology and 23 involved financial investment worth Rs 77m.

The areas of collaboration included industrial machinery, electronics instruments and components, petrochemicals, mining equipment, axles and aromatic chemicals.

Japan came fourth in the list and accounted for 111 collaboration agreements of which 96 were for transfer of technology and only 15 for financial investment of a total of just Rs 15m.

Other major investors in India included Italy (58 agreements), France (39), Switzerland (29).

WORLD TRADE NEWS

Nigerian truck companies call in receivers

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

RECEIVERS are to be called in by two of Nigeria's large truck manufacturing companies which began operating in 1979 as part of that country's attempt to set up a substantial automotive industry.

The companies are Leyland Nigeria, in which the UK's state-owned Rover Group has a 40 per cent shareholding, and Nigerian Truck Manufacturers, 40 per cent owned by Iveco, the commercial vehicle offshoot of Fiat of Italy.

Nigerian state and federal governments have a majority interest in both companies which built modern vehicle assembly plants at a cost equal to $80m each.

It is understood that the future of Anambra Motor, part-owned by Daimler-Benz of West Germany, is also under review.

Leyland yesterday blamed its financial collapse on the Nigerian Government's removal last year of the vehicle import licensing system which had protected the domestic assemblers.

At the same time Nigerian vehicle sales, already at a depressed level, have slumped even further in the wake of the heavy devaluation of the local currency, the Naira, and the 60 per cent price increases which followed.

However, the Nigerian vehicle market has been in severe trouble for some time because of massive over-capacity and lack of resources to import components. It was only a matter of time before some rationalisation was forced on the truck industry.

Rover said yesterday it would continue to send built-up vehicles, particularly Land Rovers, to the Nigerian company which would also complete all orders on hand.

Fiat said Iveco would co-operate with the receiver put in by the banks to help overcome NTM's problems. The Nigerian company, which assembles Fiat agricultural equipment as well as trucks at Kano in the north of the country, would not be closed down, Fiat said.

Talks on UK trade cover

BY MICHAEL HOLMAN, AFRICA EDITOR

NEGOTIATIONS are under way for the resumption of new cover for trade with Nigeria, Mr Gerry Breach, head of the International Debt Division of Britain's Export Credit Guarantee Department (ECGD), said this week.

Normal ECGD cover was suspended in 1984 when Nigeria had begun to accumulate substantial arrears in payments for both insured and uninsured trade. British exports to Nigeria exceeded £550m last year and direct investment in the country by UK companies is estimated at about £1.6bn.

Mr Breach said in London that the "gradual introduction of a package of new support" depended on three criteria: implementation by the Nigerian Government of an economic reform programme backed by the International Monetary Fund (IMF); that the programme continued to win IMF endorsement and a satisfactory level of acceptance by the Nigerian Government of ECGD insured short-term trade arrears.

These criteria "are beginning to be satisfied," said Mr Breach. Nigeria has introduced an IMF-backed recovery programme which will be monitored by the fund. This in turn has led to a series of rescheduling agreements, including official short-term and medium-term external debt.

ECGD would make an announcement about the availability of new cover "as soon as possible," Mr Breach said. Short-term cover, which has been available on a limited basis and against irrevocable letters of credit opened by the Central Bank of Nigeria, would be "progressively" expanded. At the same time, terms would be relaxed "towards the commonly accepted maximum of 180 days."

"Cover for large value projects would be considered only exceptionally provided they had been specifically endorsed by the IMF and World Bank as important to economic rehabilitation," he said.

Ian Rodger reports on shifts in the UK campaign to enter the Japanese telecoms market

Cable and Wireless has the tiger by the tail

SUDDENLY, it looks as if Cable and Wireless, the British telecommunications company, has a tiger by the tail in its campaign to win a stake in Japan's telecoms industry. Or rather two tigers—the UK and US Governments.

The two governments have put so much political capital into the Cable and Wireless campaign that the company may have lost valuable manoeuvring room. This week, for example, Cable and Wireless rejected a Japanese compromise conceding two of its main demands even before the proposal was formally presented yesterday.

Now that that proposal has been made, however, some of the pressure may shift from the Japanese authorities to Cable and Wireless and the US and UK Governments, seeking that they clarify exactly what they want.

It is difficult to know what would satisfy the US and UK Governments but it would almost certainly be more than the Japanese Government could offer and more than Cable and Wireless expected it would get.

It is also difficult to know just what Cable and Wireless wants or even how much it expected to win when it began its audacious campaign last year for a leading role in the expansion of Japan's international telecoms sector.

The opportunity arose because the Japanese authorities had decided in 1985 to authorise the creation of a second international telecoms carrier to compete with the existing monopoly holder, Kokusai Denshin Denwa (KDD). Cable and Wireless, which has been trying to develop its own worldwide telecoms network, the digital highway, saw this Japanese opening as an opportunity to build the main trans-Pacific cable link of this network.

It already had partners for the US side of the cable and has since obtained US Government approval for it. The company succeeded in finding a group of Japanese companies early last year to join it in forming a consortium to bid for the new franchise, the so-called second KDD.

The consortium would base its bid on Cable and Wireless's trans-Pacific cable plan, hoping to get early Japanese Government approval so the project could get under way. But even in the early days, the company could have been under no illusions about the difficulties it would face.

Although the Japanese enabling legislation for the second KDD envisioned up to one-third foreign ownership, the Ministry of Posts and Telecommunications (MPT) was making it clear to applicants that it would not agree to have a foreign telecommunications carrier play a significant management role.

In due course, another consortium, International Telecommunications Japan (ITJ), emerged to compete for the second KDD franchise, consisting entirely of Japanese companies.

However, its plan was much more modest than that of International Digital Communications (IDC), the consortium in which Cable and Wireless was a leader. Rather than build a new cable, it would sublet trans-Pacific cable capacity from the consortium led by American Telephone and Telegraph of the US and KDD.

It soon became apparent that this plan coincided with the view of the MPT that the market size and growth rate of international telecoms in Japan did not warrant the construction of a new cable.

IDC countered forcefully, saying that Japan's international telecoms market was underdeveloped, partly because of KDD's high prices and partly because the country's financial markets were still in embryo stage.

It predicted rapid growth in the next few years and proposed that the MPT issue licences to both consortiums. The MPT responded by putting pressure on the two consortiums to merge, pressure that resulted in the formation of a mediation effort early this year under the auspices of the Keidanren, the powerful federation of industry associations.

Last month, the mediator, Mr Fumio Watanabe, succeeded in getting agreement among the leading Japanese companies in the two consortiums that they would merge, that foreign companies' shares would be reduced to nominal levels, that foreign companies would not name executive directors and that the question of a cable would be left for the merged company to decide upon at some point in the future.

It was this agreement that set the US and UK Governments raging. It showed, they said, that both Japanese government and industry leaders were once again trying to prevent foreign companies from obtaining entry to their markets.

The British Prime Minister, Mrs Margaret Thatcher, and three top US officials all sent letters of complaint to the Japanese Government. The result was yesterday's final agreement announced by Mr Watanabe, who is chairman of Tokio Marine and Fire Insurance.

That agreement, again made only among the leading Japanese partners in the two consortiums, calls for Cable and Wireless and Pacific Telesis of the US to be given equal shares with the six leading Japanese shareholders in the merged company.

It also allows them to provide executive directors and it provides that the merged company "shall immediately set to work on the feasibility study of constructing a new cable for itself."

Brussels hits at US over unfair trade curbs

BY WILLIAM DAWKINS IN BRUSSELS

THE European Commission announced yesterday that it had opened legal proceedings against two allegedly unfair US trade barriers and was investigating about 30 other import restrictions imposed by Washington.

The Brussels authorities have successfully asked the General Agreement on Tariffs and Trade (Gatt) to set up a panel to examine whether new customs fees and taxes on chemical derivatives and petroleum products launched in the US last year conform with Gatt rules. These two measures alone will cost Community exporters almost $240m in 1987, estimates the commission.

They are listed in a 26-page report on US trade barriers designed to coincide with Washington's attempt to pass a Trade Bill that will help to diminish last year's record US trade deficit of nearly $170bn.

The document also serves as a fresh reminder of simmering tensions between the EEC and the US after a commission proposal for a tax on vegetable oils and fats. Washington accused the commission of protectionism.

Mr Willy de Clercq, European Commissioner responsible for free trade, said yesterday: "While the US Congress is turning its hand to several pieces of legislation that will add to trade restrictions, I ask them to remind themselves that unfair trade is not, as they imagine, the sole preserve of the US' partners. The US is not innocent in this area."

The US customs users' fees, introduced last December, force exporters to pay 0.22 per cent of the value of imported merchandise, supposedly to cover the costs of processing them through customs. This will cost the EEC almost $198m this year, says the report.

The chemicals and petroleum taxes — which will cost EEV exporters nearly $40m annually —are levied under the so-called superfund launched last year to finance the clean-up of toxic waste sites in the US. However, the commission points out that the superfund tax is up to 43 per cent higher on imported than on domestically produced products in conflict with Gatt's Article III.

Other US trade barriers singled out in the report include a section of the US Trade Act of 1974 allowing it to take unilateral action against unreasonable trade practices

Politics overrides trade laws

BY PETER MONTAGNON, WORLD TRADE EDITOR

WHATEVER THE outcome of the dispute between the US and Japan over semiconductor trade, it will highlight the peculiar way in which politics can so often override the strict letter of the law in matters of international trade.

Highly-charged political pressures may well be the driving force behind most trade disputes but the actual implementation of trade policy around the world is traditionally a legal process.

In essence the General Agreement on Tariffs and Trade (Gatt) is nothing more than a legal contract to which its members (known by the quaint legalistic term of "contracting parties") subscribe. Yet, because it is a contract arrived at by a process of negotiation, it is often imprecise, allowing loopholes in terms of definition which aggressive trading powers such as the US can all too easily exploit.

Under US law President Ronald Reagan was able to announce sanctions against Japan last Friday by invoking Section 301 of the 1984 Trade Act.

Most international trade experts are convinced, however, that the sanctions would be illegal under the Gatt. Prima facie, therefore, the US appears to have legislation on its statute book that contradicts the rules of an international body of which it is a member.

Yet Section 301, which has been used by the US as the basis of trade policy action 57 times since it was enacted as part of US trade legislation in the mid-1970s, has never been challenged within the Gatt itself. Trade diplomats in Geneva say that one reason for this is that although the legislation *empowers* the US President to act outside the rules of Gatt it does not *require* him to do so — and that is an important distinction.

Under Section 301, the President has broad-based powers to act against countries which are deemed to be using unfair trade practices to keep US goods out of their markets. Though its provisions allow for a resolution of such disputes through the Gatt, it does not oblige the President to take that route in every case.

There seems little doubt that Japan would win if it were to challenge the US sanctions in the Gatt. Even then the dispute panel would be unlikely to judge that the US should modify its law.

This is because most experts tacitly recognise that requiring Gatt members to change their laws where they do not potentially conform with the Gatt is simply too ardous a task.

The US is not the only country to have legislation on its statute books which contradicts the Gatt. Even Britain has some laws, going to the second world war, which are also out of line.

Attention therefore concentrates on the actions of member countries rather than on the laws they enact. Thus the US action in imposing the sanctions would be the expected focus of the Japanese complaint rather than the domestic legal authority which empowered those sanctions in the first place.

Purists would argue that this is a highly unsatisfactory situation which ought to be resolved in the course of the new Uruguay round of trade liberalisation talks. That is unlikely to happen, however, because of the political storm that would ensue if countries such as the US were asked to repeal specific pieces of legislation.

The prospects are, therefore, that even if the legislation itself goes unchallenged in the Gatt, actions taken under it will increasingly become the object of dispute. A field day looms for trade lawyers and diplomats in Geneva.

Bonn and Berlin in electricity supply talks

By David Marsh in Bonn

EAST GERMANY and West Germany have agreed to study making reciprocal purchases of electricity in a move which could ease the electricity supply squeeze in West Berlin.

Agreement to consider a "grid" system between the two halves of the divided nation was reached in talks in Bonn between Mr Martin Bangemann, the West German Economics Minister, and Mr Günter Mittag, the economic specialist in the East German communist leadership.

The idea of an electricity "grid" between the two states —similar to the network linking up most of western Europe's electricity boards— has been discussed in previous years.

But talks have foundered in the past on the "thorny question" of West Berlin. West Germany—and the three allied governments which are still in formal control of the divided city—have not wanted West Berlin to become dependent on electricity supplies from the East which could potentially be cut off at times of East-West crisis.

AMERICAN NEWS

Change on Jews may improve US-Soviet trade

BY NANCY DUNNE IN WASHINGTON

SOVIET assurances of liberalised emmigration rules given to American Jewish leaders in Moscow last week could lead to a change in US laws, which have long strained trade relations between the two superpowers.

According to trade officials, support of the strong Jewish lobby is all that is needed to get Congress and the Administration to agree to changes in the Trade Act of 1974 which bars trade advantages to some communist countries.

Removal of the restrictions could lead to a new era of improving trade between the US and the Soviet Union.

Mr Morris Abram, chairman of the National Conference on Soviet Jewry, and Mr Edgar Broneman, president of the World Jewish Congress, who met with the Soviet officials, issued a statement saying they were considering support for changes in the Stevenson Amendment, which prohibits the US Export-Import Bank from offering trade financing for Soviet projects.

They said they also may back an annual waiver of the Jackson - Vanik Amendment which denies most-favoured nation status — and thus special low tariffs — to communist countries which restrict immigration.

There have been moves for several months in Washington to get support of the Jewish community for the trade law changes. One of those active in the effort is Mr Charles Vanik, the retired Democratic Congressman responsible for the linkage between trade and immigration.

He and Mrs Margaret Chapman of the American Committee on US-Soviet Relations, a private group, said a large increase in immigration could encourage Congress to agree to a year-by-year waiver of the Jackson-Vanik amendment as early as this July, when other waivers are to be considered.

The Jewish leaders were promised new religious freedoms for the Jews living in the Soviet Union as well as exit visas for most Soviet Jews who have previously been denied them.

The leaders gave no timetable for their support for trade law changes but said they would suggest "incremental responses based on measured progress" of Soviet action.

Mrs Chapman said the current competitiveness debate and the feeling that "glasnost" (openness) ought to be recognised have created a willingness in Washington to improve commercial relations.

Senator Robert Dole, the minority leader, has suggested that he would support the waiver of the Jackson-Vanik amendment if the Jewish community backed it.

Emigration deal denied

BY PATRICK COCKBURN IN MOSCOW

THE Soviet Union yesterday denied there was any agreement between Moscow and Israel to exchange delegations or that a definite quota of Soviet Jews would be allowed to emigrate to Israel via Rumania.

Mr Gennady Gerasimov denied reports from Israel and the US saying there had been a breakthrough in Israeli-Soviet relations likely to lead to an increase in emigration.

Mr Gerasimov confirmed, however, that a group of Soviet consular officials would go to Israel "to solve consular issues connected to Soviet nationals living in Israel, to regulate their legal status and to examine Soviet property in Israel."

Although the Soviet spokesman played down any change in relationms with Israel it is clear that more Jews, some of whom have been repeatedly refused exit visas in the past, are being allowed to leave the country. Some 470 left in March compared with 943 for the whole of last year.

Mr Gerasimov said the origin of the reports of a big switch of Soviet policy towards Israel was to use minor issues to create doubts about the consistency of Soviet policy in the Middle East among Soviet allies.

Battle rages over Highway Bill

By Stewart Fleming, US Editor, in Washington

PRESIDENT Ronald Reagan and his Republican allies were battling yesterday to prevent the Democrat - controlled Senate from reversing its decision on Wednesday by voting to override Mr Reagan's veto of the $88bn (£55bn) Highway Bill which the White House has made a test of the President's strength on Capitol Hill.

On Wednesday the Democrats, who had already overridden Mr Reagan's veto of the bill in the House of Representatives, seemed poised to muster the two-thirds majority in the Senate required to override the veto.

The bill has gathered support from both sides of the political aisle. It provides federal funds and therefore construction jobs, for road and transport projects in states across the country and would allow states to raise the speed limit on certain interstate highways to 65 mph.

Several conservative Republican senators from western states who might normally be expected to support the President support the bill because of the speed limit provision.

However, with the Democrats one vote short of the two-thirds majority they needed to defeat Mr Reagan, one member—the newly-elected Senator Terry Sanford—became the only Democrat to vote to support Mr Reagan's veto.

This triggered hours of arcane parliamentary manoeuvring as the Democrats moved to secure a second vote and Republican leaders sought to delay the crucial second vote in an effort to persuade Republican senators who had voted with the Democrats to change their minds.

Late on Wednesday the Senate recessed with Democrats claiming that a second vote on the bill would give them victory. Yesterday, both sides, expecting the Senate to put the bill to the vote again, were trying to muster the razor thin majority which would give them victory.

Mary Helen Spooner reports on second day of the Papal visit to Chile

Pope focuses on human rights

POPE JOHN Paul II met privately yesterday with General Augusto Pinochet, for 40 minutes in the La Moneda Presidential Palace, where he was expected to deliver a strongly worded message about human rights during his second day in Chile.

The precise content of the meeting was not made public though it was generally assumed that General Pinochet would try to steer the conversation away form the subject of human rights and democracy in Chile.

In an apparent effort to give General Pinochet a psychological advantage during his encounter with the Pope the regime distributed passes to thousands of government officials, supporters and their families for places in the plaza surrounding the presidential palace.

The Pope arrived in Santiago on Wednesday afternoon. In an airport welcoming speech, General Pinochet said Chile had been the target of "the most extreme materialistic, and atheist ideology known to humanity" and that this was essential to understanding present day conditions in the country.

The Pope replied that he had come, in a spirit of reconciliation, to share the Gospel with "those who suffer in body and spirit."

Pope John Paul II and President Pinochet listen to the Chilean national anthem

Chilean television crews covering the Pope's activities avoided broad views of the crowd gathered along the route from the airport to Santiago's *Metropolitan* Cathedral, the second stop on the Papal itinery. Some of the onlookers held up banners calling for an end to political repression, and shouted anti-government slogans, calling on the Pope to "take away the tyrant."

In the area surrounding Santiago central rail station and along the capital's main avenue, riot police used water cannons and tear-gas to break up groups of demonstrators, formed in the wake of the Papal motorcade.

Following his meeting with General Pinochet, Pope John Paul attended a mass rally for the poor in a south Santiago slum, where a woman neighbourhood leader delivered an impassioned plea on behalf of the country's poor.

A later speech by a young labour leader who told the Pope that Chilean workers often risked their jobs by taking part in trade union activities was broadcast only by the Catholic University television station.

The government television network filled the gap with film footage of the Chilean countryside.

The regime has sought to present the Papal visit as the culmination of the Vatican's mediation of Chile's territorial dispute with Argentina over the Beagle channel. Banners draped over the airport terminal and the office buildings surrounding the La Moneda Presidential palace proclaimed the Pope as the "Messenger of Peace," a reference to the Vatican mediation.

Church officials have complained that this was an unauthorised change in the approved slogan for the visit, which calls the Pope "the Messenger of *Life*," a phrase carrying a greater human rights connotation.

Venezuela to invest $5.2bn in industry

By Joe Mann in Caracas

THE Venezuelan Government yesterday revealed that it will invest $5.17bn in major projects located in the Guayana heavy industry region during the 1987-89 period.

The announcement was made by State Minister Leopoldo Sucre Figarella, who runs the Guyana Development Corp (GV), a government holding company for the country's largest non-petroleum enterprise, including steel, aluminium, hydroelectric power mining and others.

The biggest investment over the next three years to be made by the Guyana Development Corp will be carried out by its subsidiary Edelca, a state owned electric power company.

Edelca plans to invest around $1.76bn through 1989 for a variety of projects, including a power transmission system, and development of new hydroelectric dams on the lower Caroni River and near the existing Guiri hydroelectric complex.

Argentina holds low-key ceremony for Falklands

BY TIM COONE IN BUENOS AIRES

THE fifth anniverary of the invasion of the Falkland Islands on April 2 1982 was celebrated as a relatively low-key affair in Argentina.

The head of the Army Chief of Staff, General Rios Erenu, said in a ceremony honouring the Argentinian dead of the war that in spite of Aregntina's defeat "their sacrifice has not been in vain," and that "the most glorious death is to die for the freedom and independence of the country."

His message was otherwise void of militaristic statements, however.

The ruling Radical Party released a statement reiterating that the government's policy was to recover the islands for Argentina by diplomatic and not military means.

In another ceremony, President Raul Alfonsin made a surprise intervention during a remembrance service for the dead of the war. Responding to an implication made by an army chaplain during a sermon that bribery was affecting the government, President Alfonsin went to the altar before the end of the service and said "If anyone knows of any bribery, they should have the honour to say so openly and concretely."

US refuses Iraq aircraft, radar

THE US has turned down Iraq's request for US-built C-130 cargo aircraft and artillery radar, but still gives Iraq intelligence about Iran in the Iran-Iraq war, the New York Times said yesterday, Reuter reports.

The newspaper said this approach to Iraq "seems intended to prevent an Iranian victory and repair relations with Baghdad while avoiding direct American military entanglement in the war."

Quoting unnamed American officials, the newspaper noted that the reported US move follows revelations that have emerged over the past few months of secret US arms sales to Iran.

One killed, 39 trapped in Quebec copper mine fire

BY ROBERT GIBBENS IN MONTREAL

ONE MINER died and 39 were trapped when fire broke out last night in the shaft of an underground copper mine in the remote Gaspe area of Quebec, 700 miles north-east of Montreal.

Noranda, the owners of the mine, said 26 miners were safe in anunderground cafe around the 200ft level. The cafe is provided with several ventilation and fireproof doors and the miners are able to live there for several days.

However 12 or 13 others have not been accounted for and are classified missing.

Telephone communication with the surface was nterrupted by the fire which was still burning at midday.

The mine officials said the fire may have been caused by an equipment short circuit near a conveye belt, at the 2,000 ft level. Shifts were changing at the time.

The body of the dead miner was found in a corridor near his injured brother.

Noranda has been mining copper near the surface at its Gaspe division for more than 30 years.

CEGB places £200m orders for Sizewell

BY MAX WILKINSON, RESOURCES EDITOR

THE CENTRAL Electricity Generating Board (CEGB) has agreed to place £200m worth of contracts for the building of its first pressurised water nuclear reactor at Sizewell, Suffolk, on the east coast of England.

These contracts, which include the building of the turbine generators, the main nuclear pressure vessel, and pipework and boilers, are in addition to the £200m already spent on design, planning and preliminary sitework for the project. By the end of the year a further £100m of contracts are expected to be placed.

By the end of the year, some £500m will have been committed to the project out of a total projected cost of £1.6bn. This could be a major embarrassment to the Labour Party if it were to win a general election later this year.

The party is pledged to cancel the building of Sizewell B, but it would almost certainly have to compensate the CEGB for the loss of money. It might also come under strong pressure to save the 10,000 jobs expected to be created in industry and on site during the seven year construction period.

In its announcement yesterday, the CEGB said that the turbine generators will be made by the General Electric Company. The reactor vessel is to be made by Framatome of France, which has already started work on the forgings. The contract for the primary circuit system has gone to Westinghouse of the US, although much of the work will be sub-contracted to UK companies.

Nick Garnett writes: The first contract for steel rail put out to international competitive tender by British Rail has been won by the British Steel Corporation (BSC).

The BSC is expecting to supply British Rail with 150,000 tonnes of steel over the three year life of the contract. The contract which covers BR's total requirements for rail over that period will be met from BSC's rolling mill at Workington, Cumbria.

BR has always bought its rail from BSC, but decided two years ago to put further contracts out to competitive tender outside the UK.

Workington, exports 60 per cent of its output but the corporation said the BR contract was of major importance in securing the base load of the Workington plant.

The contract will account for 25 per cent of production at Workington which is the subject of a £1m investment programme

Dublin MPs to discuss Anglo-Irish assembly

BY HUGH CARNEGY, DUBLIN CORRESPONDENT

DR GARRET FITZGERALD, the former Irish Prime Minister, will be among an all-party group of Irish members of parliament holding talks in London next week on setting up an Anglo-Irish inter-parliamentary assembly.

Such a group, which would discuss Northern Ireland and other issues of bilateral interest, was first mooted in 1981 and was supported by the British and Irish governments in the Anglo-Irish Agreement signed by Dr FitzGerald and Mrs Thatcher, the prime minister, in 1985.

The Irish delegation for the two-day talks with British MPs starting on Tuesday will be headed by Mr Sean Treacy, the Speaker of the Dail (lower house). Dr FitzGerald, Prime Minister until he was succeeded by Mr Charles Haughey last month, will join a senior group from the Fine Gael Party headed by Mr Peter Barry, the former Foreign Minister and co-chairman of the Anglo-Irish ministerial conference.

Mr Haughey's Fianna Fail Party is sending a much lower level group of backbenchers.

Peter Marsh reports on the mystery surrounding four defence scientists

Bizarre deaths start speculation

THE BIZARRE deaths of three engineers and the mysterious disappearance of a fourth is providing material both for people interested in unusual chains of coincidences and for authors of James Bond-style thrillers.

The sequence of events involves three employees of Marconi, the defence systems group owned by General Electric Company, together with a fourth engineer working on a military-funded project at Loughborough University, in the East Midlands.

Although no one has come up with any hard-and-fast theory linking the four occurrences, speculation has inevitably focused on the fact that all the men were working on scientific projects with a strong relevance to defence. There is a particular connection between the work of two of the researchers in underwater acoustics.

The four were connected by another thread in that each was concerned with advanced computer software and signal processing, fast-moving scientific areas which are hugely important both in the military arena and in commercial applications.

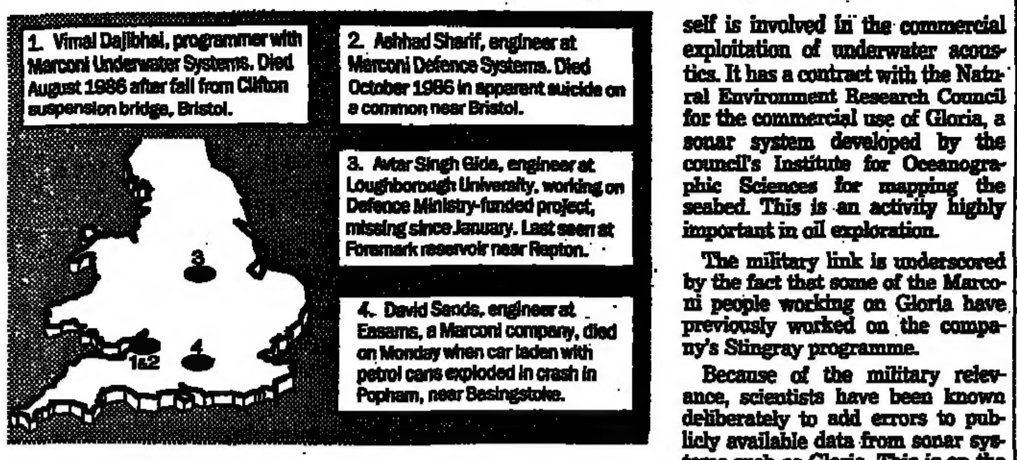
The incidents started last August when Mr Vimal Dajibhai, a programmer with Marconi Underwater Systems near Watford, north of London, was found below the Clifton suspension bridge in Bristol. An inquest recorded an open verdict.

Two months later, Mr Ashhad Sharif, who worked for Marconi Defence Systems at Stanmore, west of London, apperently killed himself by driving off in his car after having put around his neck a rope tied to a nearby tree.

Although Mr Sharif lived in London, his death occurred in a common near Bristol. Police ruled out any connection between the two incidents.

On Monday of this week, a third defence engineer, Mr David Sands, a researcher with Easams, a Marconi-owned company in Camberley, Surrey, died after his car, loaded with petrol cans, crashed into a disused roadside café at Popham, near Basingstoke, Hampshire, 50 miles west of London.

Perhaps the most peculiar event was the disappearance in January of Mr Avtar Singh Gida, a researcher in the electronics department at



Loughborough University. Mr Gida was finishing his PhD in acoustics technology, a discipline with both military and commercial applications.

Although for most of his research career he was at Loughborough, Mr Gida was supported financially by the Science and Engineering Research Council, in the months before his disappearance he had been working on a Ministry of Defence (MoD) contract.

Mr Dave Goodson, a senior experimental officer at the university, said that Mr Gida's work was of no direct relevance to the Defence Ministry. Mr Gida had been put on to the military contract, which had been arranged already with other researchers at the university, because his funds from the research council had run out.

An unusual aspect to Mr Gida's disappearance was that he was last seen while testing acoustic equipment at Foremark reservoir, near Loughborough. Police divers have searched the reservoir and found no trace of a body. Mr Goodson said that Mr Gida had appeared cheerful before going to Foremark.

One link which has attracted attention is that Mr Gida and Mr Dajibhai knew each other slightly in the late 1970s when they were both students at Loughborough, before Mr Dajibhai took up a job at Marconi Underwater Systems.

The electronics department at Loughborough is one of Britain's leading academic centres – with Birmingham University and Bath University – in underwater signal processing and acoustics. Both are extremely important in a range of military areas, including sonar systems to detect submarines, the guidance of "smart" torpedoes and defensive equipment used by ships in harbours to warn if they are berthed near mines.

For most of his time at Loughborough, Mr Gida was engaged in highly mathematical work in signal processing – the use of advanced computer techniques to "unscramble" a mass of data to work out its meaning. In acoustics work, this is relevant to the deciphering of the signals returned from underwater objects such as submarines or pipelines.

Although Mr Gida had no known connections with Marconi Underwater Systems, his work would have undoubtedly overlapped with research there. The company makes the Stingray "smart" torpedoes for the Defence Ministry and is also a leading military contractor in defensive systems.

Underwater acoustics work as such is not classified. Some aspects of it have direct commercial relevance, for example, to sonar systems used in the North Sea to spot defects in submerged parts of oil platforms. Elements of the signal processing and acoustics are also useful in other areas, such as image analysis equipment in medicine.

None the less, there is a strong link between academic research in acoustics and military systems. Few detailed books on underwater acoustics are available because of their relevance to military activities.

Marconi Underwater Systems itself is involved in the commercial exploitation of underwater acoustics. It has a contract with the Natural Environment Research Council for the commercial use of Gloria, a sonar system developed by the council's Institute for Oceanographic Sciences for mapping the seabed. This is an activity highly important in oil exploration.

The military link is underscored by the fact that some of the Marconi people working on Gloria have previously worked on the company's Stingray programme.

Because of the military relevance, scientists have been known deliberately to add errors to publicly available data from sonar systems such as Gloria. This is on the grounds that information from the equipment is sometimes too detailed and could be useful to military officials from enemy countries – for example, in providing data about underwater terrains that could help submarine commanders.

Signal processing techniques, of the kind studied both at Loughborough and at Marconi Underwater Systems, are important in other areas of military projects, many of which other parts of the Marconi group such as Easams and Marconi Defence Systems are working on. Such areas of work include research to decipher the meaning of radar signals in air-defence systems.

Both Easams and Marconi Defence Systems have worked on contracts under the US Strategic Defence Initiative (Star Wars), where signal processing promises to be crucial to attempts to monitor the flight of enemy missiles.

Monitoring of this sort, using radar and other techniques such as firing low-energy laser beams at rockets and recording the rebounds, would be a prelude to efforts to destroy missiles before they hit their targets.

Police said yesterday they would not be investigating the possibility of a link between the three deaths. Essex police said they saw no link with reports of a further two deaths – that of Professor Keith Bowden, a computer scientist who died in a car crash on Witham bypass in 1982, and that of Mr Richard Pugh, a computer hardware designer found dead in his Essex home in January after working on defence projects.

Life industry faces up to big squeeze

BY NICK BUNKER

A MOOD of deep perplexity – broken by bursts of irritation – has settled in recent months over many of the thousands of small British companies which sell life assurance as independent intermediaries.

"Their morale is low," says Mrs Joanne Hindle, financial services director of the British Insurance Brokers' Association (Biba). Recently, she has been fielding 30 worried calls a day from among Biba's 4,000 members. About 700-1,000 mainly sell life assurance, while a further 2,500 rely on it for a big proportion of commission income.

By now, the source of their agitation needs little explanation. It lies in the prolonged uncertainty over the final outturn of the deep changes in the industry unleashed by last year's Financial Services Act.

Biba meets in Glasgow today for its annual conference, giving its members the most public forum yet to voice their grievances over the costs of complying with the Act, and the squeeze on commission income that it may engender. But – increasingly – the economic logic has been pointing to another sector of the industry as the Act's real victims.

In fact, as each week goes by, the evidence has been accumulating that in the long-term the Act's most far-reaching impact will be to knock out of the game many of the UK's 80 small or medium-sized life companies.

The companies worst hit will be those who rely almost exclusively on the nation's 10-15000 independent life and unit trust intermediaries. Already, the biggest mutual life offices have formed Camifa – the Campaign for Independent Financial Advice, to try to persuade small firms to stay independent after the Act, inspite of the high regulatory costs if they do so.

But – ironically – the Camifa companies, such as Standard Life, Norwich Union or Equity & Law – are not those with most to fear. Hard data about the composition of the industry is surprisingly hard to come by. But the most recently published figures – dating from 1983 – showed that the leading mutual life offices had about 31 per cent of the market. Abbey Life and Allied Dunbar, the two best-known unit linked offices had about 6 per cent.

Big composite insurers had about 15 per cent, and the old industrial life companies – such as Prudential Corporation and Pearl Assurance – took a 18 per cent slice. That left some 80 smaller life offices – many of them UK subsidiaries of North American insurers – battling for about 30 per cent of the market.

Their problems will spring directly from the big reduction expected in the numbers of independent intermediaries as a result of the Act. Only perhaps 8,000 will stay independent, according to Biba's estimates – with the rest taking refuge as agents tied exclusively to most powerful, deep-pocketed life companies.

Biba's own research into the impact of extra compliance costs and reduced commission income supports that view. It has argued that a smallish firm of insurance brokers – with turnover of about £120,000 – will see its after-tax profits slashed from £14,000 to £455.

If so – and Biba's figures are only guesses – then the Financial Services Act's advent should hasten this decade's trend towards the creation of a new class structure among independent intermediaries. At the top and serving the wealthiest consumers will be firms like Towry Law Fairmount Trust, or the retail financial services arms of the big quoted Lloyd's brokers.

Investment intermediary firms like these are not insurance brokers so much as comprehensive financial advisers. They are clearly segregated by their business culture – and not least by their resources – from the much smaller, independent intermediaries. This category seems likely to make up the bulk of the firms which Biba's Ms Hindle expects to stay independent after the Act.

But the whole culture of these two types of intermediaries is very different. Fairmount Trust is a classic instance. Founded by an accountant, Mr Stephen Blaney, it costs £2m a year to run. It owns a private-client stockbroker, employs 100 people including three economists, and caters for customers with personal assets of rather more than £250,000.

Both the Financial Services Act – and this new reshaping of the intermediary market into two distinct levels - could work in favour of the biggest life companies. On the one hand, the new "best advice" rule will compel independent intermediaries to check all the more carefully the investment performance and financial credentials of life and unit trust groups to which they channel business.

"Life companies such as Norwich Union and Standard Life will see their volumes increase dramatically," says Fairmount's Mr Blaney. In turn, the creation of chains of sophisticated intermediary firms such as Towry Law and Fairmount will put pressure on life companies to bolster their forces of inspectors, and improve their level of service.

"We are difficult to deal with," says Mr Blaney. "We require considerable support from the companies, and we transfer our allegiances quickly." And – with fewer of the smaller intermediaries staying independent – the life companies will have to compete more vigorously for their affections too.

One interesting pointer here was the announcement this week by Scottish Widows, another big Edinburgh mutual, that it was to spend £11m to boost by two-thirds its inspector force. Yet, Scottish Widows has assets of about £9bn. Many of the 80 or so lesser companies are far smaller. How many of them will be able to survive alone as intensified competition sends their expenses soaring? And how many can afford the expense of building a direct sales force – which must be about 200-strong to be viable – as an alternative chain of distribution?

Jobs campaign plans 'human chain'

BY CHARLES LEADBEATER, LABOUR STAFF

LEADERS of a campaign against unemployment are hoping to organise a 200-mile "human chain" on May 3 linking Liverpool in the north-west of England and No 10 Downing Street, the London home of Mrs Margaret Thatcher, Prime Minister.

Ms Molly Meacher, the campaign's organiser, said she was confident that the group had established an organisation involving 1,000 people, which would be strong enough to attract the 375,000 people it needs to create the chain.

But she admitted organisers were worried that too many people would converge on urban centres weakening the chances of completing the chain in rural areas.

The campaign is supported by a wide range of celebrities and public figures. The organisers estimate they will need 1,000 people per mile to complete the chain.

The Rev David Sheppard, Bishop of Liverpool, said the aim of the demonstration was to "change attitudes in comfortable, in-work, Britain." He said the campaign aimed to shift a prevailing attitude in Britain that "unemployment is normal, whereas it is intolerable."

The forthcoming general election would be fought around policies to promote sectional interests without a major campaign to raise concern over unemployment, he said.

"Politicians underestimate the willingness of those in work to forgo some of their advantages to do something about unemployment. People in work that feel like that must join us to make unemployment the major issue in the coming election."

Wellcome to build plant with Genetics

BY TONY JACKSON

WELLCOME of the UK and Genetics Institute of the US are to spend $40 (£25m) on a plant, claimed to be among the world's biggest, to make biotechnology-based pharmaceuticals. The plant will employ 200 at West Greenwich, Rhode Island.

Wellcome said it would use the plant to supply the US market with its existing biotechnology products such as interferon, tissue plasminogen activator (TPA) and monoclonal antibodies. None of these yet has official clearance for sale in the US, although interferon – used as a cancer treatment – has clearance elsewhere.

Genetics Institute will use the plant to manufacture its own products, which include growth factors for white and red cells in bone marrow, and Factor VIII for use against haemophilia, in world markets. The joint venture also includes an agreement to pool technology.

Wellcome has built a similar plant in Japan, for the Japanese company Sumitomo, which was opened last month. It is thought that the US plant will be larger. The president of the US venture, named Welgen Manufacturing, is to be Mr Wanderley Ribeiro, currently head of production at Wellcome's Spanish subsidiary.

Green Shield trading stamps back on streets

BY FEONA McEWAN

GREEN SHIELD trading stamps are back on the streets. Following the relaunch of the Green Shield trading stamp company last autumn, the petroleum company Mobil has signed an agreement that will enable its filling stations to hand out trading stamps to motorists. It is the first major multiple to agree a deal.

From April 9 most Mobil filling stations will be offering customers three stamps for every full pound spent on petrol, oil and diesel.

Talks are continuing with several other leading multiples, including grocery stores, and Green Shield is hopeful that further agreements will follow. Since February, about 100 independent garages have been conducting their own promotions with the trading stamps, and early signs are very encouraging, says Mr Peter Pugsley, Green Shield director. "We've had some very good testimonials."

Green Shield trading stamps were first launched in 1958 and at their peak were collected by half of British shoppers and offered by 30,000 stores before rising inflation in the 1970s diminished consumer interest.

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Tories attacked on share dealings

By Tom Lynch

PAPERS relating to multiple applications for British Telecom (BT) shares by a Conservative MP have been passed to the Director of Public Prosecutions (DPP), the House of Commons was told yesterday as a second Tory MP made a statement about his dual application and Labour challenged the Government to act.

Mr Keith Best, the MP for Ynys Mon (Anglesey), admitted on Wednesday that he had made six separate applications for 800 BT shares at the time of the company's privatisation in November 1984. However, he said he did not consider he was acting improperly.

Yesterday Mr John Biffen, the Leader of the Commons, told MPs that papers in respect of Mr Best had been passed by the Department of Trade and Industry to the DPP, "who will consider in the light of the usual criteria whether to ask the police to investigate."

Applications for BT shares on flotation, were limited to 800 per person, and last year 10 people were successfully prosecuted for making more than one application.

In a statement yesterday Mr Bryan Gould, the Labour Party's campaign co-ordinator, challenged the Government to dissociate itself from the 37-year-old barrister.

"The Conservative now have a clear responsibility. They must show that the get-rich quick standards of the City cannot be excused simply because they are embraced by a Tory MP."

Mr Eric Cockeren, Conservative MP for Ludlow, who, like Mr Best, was accused of multiple applications by the independent trade union funded Labour Research Department, yesterday made a statement explaining his two successful applications for 800 shares.

He said he had applied for his own shares from his London address and bought shares for his grandchildren and from his family home in his constituency.

BAe to buy state arms group in £190m deal

BY DAVID BUCHAN AND LYNTON McLAIN

BRITISH AEROSPACE (BAe) is to buy Royal Ordnance (RO), the state-owned munitions business, for £190m, the Government announced yesterday, at the close of one its more chequered privatisations.

Lord Trefgarne, minister for defence procurement, praised the sale because BAe had a fine export track record on exports which were vital to RO's future, because the group could now develop its full potential, and because the Government had got "the right price" after a tough competition.

The minister said BAe's tender was "measurably above" that offered by GKN, the engineering group and the only other company to remain in the bidding for RO until the end. It was also, well above the "£100m net" which the Government estimated it would have gained, had the stock market flotation of RO gone ahead last July as originally planned.

Yesterday's agreement, under which BAe will pay £190m cash, is formally subject to approval from the Office of Fair Trading, which is not expected to object to the acquisition on competition grounds.

The Government has accepted that the activities of BAe and RO are essentially complementary, not competitive, in the military supply field, and thus competition is not reduced by the takeover.

Sir Raymond Lygo, chief executive of BAe, which even before buying the total military-oriented business of RO is Britain's largest defence contractor, said that after buying RO, the share of BAe's business related to the Ministry of Defence (MoD) would rise only from 33 to 38 per cent of total company turnover.

But, as part of the RO sale, BAe and the MoD have agreed to negotiate a five-year agreement, starting in April 1988, for the fixed price supply by BAe of much of the £250m worth of ammunition, explosives and propellants which the MoD buys each year.

RO already has exclusive supply agreements for certain ranges of small arms ammunition, explosives and propellants, negotiated with the MoD last summer and criticised by some as merely fattening up the company to make it more attractive for privatisation.

The MoD revealed yesterday that, as a fallback in the event of failure to negotiate a new wider five-year accord with BAe, it had agreed to continue the existing supply agreements for a further 18 months after they are due to expire in mid-1989.

The competitive tendering for RO originally involved four companies. But in recent weeks Ferranti, the electronics company, and Trafalgar House, the conglomerate, dropped out of the bidding, saying that they were interested only in part, not the whole, of RO.

The Government had insisted that, after it sold the RO tank factory at Leeds to Vickers last autumn, it would sell the rest of RO as a single entity. But Lord Trefgarne made clear yesterday that henceforth BAe was "unfettered" in disposing of any part of RO, if it had commercial reasons for doing so.

Strikes aim to hit exporters

BY DAVID BRINDLE, LABOUR CORRESPONDENT

STRIKES BY Customs and Excise officials at key export points are to begin on Saturday night as the first stage of a campaign of disruptive action over Civil Service pay.

The three Civil Service unions mounting the campaign announced last night that they were making exports a prime target. Selective strikes by Customs officials would continue indefinitely.

At the same time the unions will run a programme of selective regional strikes in the Department of Health and Social Security and the Employment Department starting next Monday in the north-west of England and Wales.

The strikes were approved yesterday after the union's announced ballot results in favour of action and against pay offers which the Treasury says are worth 4.6 per cent on the pay bill.

A fourth union representing Inland Revenue staff, confirmed that it was dropping out of the campaign and accepting its pay offer and further talks later in the year. But a fifth, the First Division association representing senior civil servants said it too, was discussing disruptive action.

Of the three unions planning strikes, the biggest, the Civil and Public Services Association (CPSA), reported a ballot majority of 59 per cent for action and against its offer of 4.25 per cent or £5.75 a week, whichever is the greater.

On a turnout put at 65 per cent, the CPSA said 53,551 members (59 per cent of those voting) supported action and 36,987 voted to accept. The Society of Civil and Public Servants representing middle managers, put its turnout at 46 per cent and said 25,258 (69 per cent) had been in favour of action and 11,269 against.

The third union, the Northern Ireland Public Services Alliance, said its ballot had produced 3,579 votes (58 per cent) for action and 2,557 against.

The programme of regional strikes overlayed with continued selective action, at ports, airports and possibly computer centres, is planned to continue for six weeks. After that, the unions are threatening a ballot on an indefinite national strike.

A clearer view of the Kremlin

BY PETER RIDDELL, POLITICAL EDITOR

AFTER ALL the cheers and celebrations, what has really been achieved by Mrs Margaret Thatcher's visit to the Soviet Union? Senior ministers argue that it needs to be put in the perspective of the reappraisal of Britain's relations with the Soviet Union which was started by Mrs Thatcher and Sir Geoffrey Howe shortly after he became Foreign Secretary in 1983.

Their conclusion was that East/West relations needed greater attention. There have been problems such as the shooting down of the KLM airliner; but there has been gradual progress with Mrs Thatcher's visit to Hungary in 1984, Sir Geoffrey's tours around East European capitals and five meetings with Soviet Foreign Minister Mr Edward Shevardnadze, and Mr Mikhail Gorbachev's successful trip to Britain in December 1984 shortly before he became Soviet leader.

On this view the Moscow visit came at an ideal time, given Mr Gorbachev's reform initiatives and what is seen in London as an accelerating tempo of power in the Soviet Union.

The British view is that the Moscow visit has built on this – notably through the 13 hours of talks between Mrs Thatcher and Mr Gorbachev and the eight hours of separate talks between Sir Geoffrey and Mr Shevardnadze.

These will in turn lead to a visit to the Soviet Union again by Sir Geoffrey later this year and Mr Gorbachev may return to Britain again next year, though no date has been fixed.

The main result of all these contacts has been to give the British side a much clearer insight – and probably a unique one for any western government – into the thinking of the Kremlin on a whole range of world problems.

The British Government has been quick to spread the word around its allies. A senior Foreign Office official was yesterday briefing the rest of Nato, and over the weekend Sir Geoffrey will give a fuller account to an informal meeting of EEC foreign ministers.

Then, next Thursday he will see Mr George Shultz, the US Secretary of State, in Washington before his visit to Moscow the following week.

The essence of the British message to Mr Shultz will be that the Soviet Union is ready to do business with the West on the desired step-by-step basis, particularly on the INF (medium-range nuclear missiles) and chemical weapons.

But there remain considerable problems in the negotiations over short-range nuclear weapons given the Soviet resistance to the US desire to have a "right to match" the very large Warsaw Pact superiority in this category.

The British belief is that this will confirm Mr Shultz's existing impression that the Soviet Union is involved in the arms talks for "real" but there are hesitations and reservations to take account of. On this view, the US should be encouraged to press ahead but should not assume everything will fall easily into place.

The British Government lays particular stress on the Soviet acceptance of the need to ban chemical weapons, although there remain major problems of verification.

Call to deregulate radio spectrum

By Raymond Snoddy

SENIOR GOVERNMENT ministers intend to push for early legislation to introduce competitive pricing into the allocation of the radio spectrum in Britain.

A bill on deregulation of the spectrum – all the useful frequencies for everything from broadcasting to mobile radio – could be introduced early in the next parliament, subject to the timing and outcome of a general election.

Mr Geoffrey Pattie, Minister for Information Technology in the Department of Trade and Industry (DTI), is understood to favour the general thrust of the consultative report on spectrum deregulation by consultants CSP International published yesterday.

Senior DTI officials, it is believed, have reserved parliamentary time for such a bill and spectrum users and manufacturers have been asked for their views on the report by the end of June.

If the Government goes ahead with legislation, Britain could become the first country in the world to privatise its radio spectrum.

The CSP report argues that contrary to previous belief there is effectively no spectrum shortage in Britain. Improvements in technology and commercial management of the spectrum would ensure there are enough frequencies for Britain's needs for at least the next 20 years.

As a result of the deregulation report the DTI intends to give corporations in Britain the right to take out their own licences for microwave links to set up internal communications networks – a move that would not require legislation.

At the moment such capacity has to be leased from either British Telecom or Mercury.

The heart of the CSP report is a proposal that new privatesector Frequency Planning Organisations (FPOs) should be given 20-year franchises over progressively increasing slices of the radio spectrum.

Competing FPOs could then sell their frequencies in the open market to the highest bidder. The FPOs would, however, initially be chosen in a "beauty contest" rather than an auction.

Mr Charles Jonscher, managing director of CSP International, said yesterday: "We believe that over the next decade more than half of the immediately useful spectrum can be given over to this competitive system of management."

Existing major users such as BT, Mercury, the BBC and the IBA would hold on to most but not all of their frequencies.

One US company, Spectrum Planning, has already set up a UK subsidiary in anticipation of spectrum deregulation, and plans to apply for an FPO licence

Mr Alan Firth, general manager of Spectrum Planning in the UK said yesterday: "We have available the software, the tools and the people to do it."

One of the areas of the spectrum that CSP recommends could come quickly under a commercial regime are Bands I and III – frequencies vacated after the end of 405 line television transmissions.

Lloyd's is confident over tax status of syndicate accounts

BY NICK BUNKER

LLOYD'S of London believes that it can reach "a satisfactory agreement" with the Inland Revenue over the tax treatment of the insurance market's syndicate accounts, Mr Alan Lord, Lloyd's chief executive, said yesterday.

He told reporters that Lloyd's has already had preliminary talks with the Revenue, following last month's Budget speech in which the Chancellor of the Exchequer said he wanted to close an unjustified tax loophole by altering the market's tax regime.

There had been widespread speculation that Lloyd's would also announce yesterday the proposed terms for a settlement of the four-year-old PCW affair, in which 2,000 of its underwriting members ("Names") are facing gross insurance losses of £380m.

Mr Lord said "good progress is being made. The documentation is being drawn up." But he refused to be drawn about the likely date for an announcement.

It is understood from within the Lloyd's market, however, that negotiations are still under way about the precise amount of money Lloyd's wants from the 2000 PCW names, with the likely figure believed to be between £30m and £40m.

The conflict between Lloyd's and the Revenue relates to the treatment of "reinsurance to close." This is a mechanism used by Lloyd's syndicates to provide against future insurance claims when they close their accounts for a given underwriting year.

Mr Lord said that more detailed discussions with the Revenue would come after the publication of this year's Finance Bill

The Revenue wants to change the law to treat Lloyd's syndicate accounts on a par with those of insurance companies. This would mean that reinsurance to close would be regarded as a claims reserve and considered tax-deductible only if justified using acceptable statistical methods.

Gold and currency reserves surge

BY JANET BUSH

BRITAIN's gold and foreign currency reserves showed their largest monthly increase last month for nearly 10 years, reflecting a substantial effort by the Government to prevent sterling rising.

Figures released yesterday showed that actual reserves leapt by $1.89bn in March. The underlying of $1.79bn was the largest since October, 1977, when reserves rose by $3.04bn. In February, actual reserves had risen by $305m, while the underlying increase was $287m.

The Government has now more than reversed the depletion of reserves last autumn when sterling was weak and, as Treasury officials pointed out, at a profit. The rise in reserves in March was the fifth successive monthly increase.

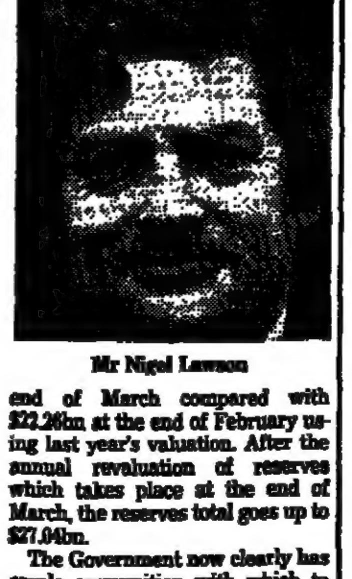
The Bank of England has clearly been intervening fairly consistently over recent weeks selling sterling. However, the extent to which reserves have been rebuilt came as a surprise to financial markets which had been expecting an increase of nearer $600m.

Yesterday's figures provided the first clear evidence of how strong upward pressure on the pound has been since the Paris accord on stabilising currencies in late February and explain the Bank of England's decision to sanction a half point in base lending rates before the budget.

Markets had expected any cut to be delayed until after the budget on March 17 but the Bank was clearly forced into allowing lower borrowing costs by the strength of sterling.

Since Paris, Mr Nigel Lawson, the Chancellor of the Exchequer, has made it clear on several occasions that he neither wanted sterling to fall or rise far from current levels.

The Treasury said yesterday that the reserves totalled $24.15bn at the end of March compared with $22.26bn at the end of February using last year's valuation. After the annual revaluation of reserves which takes place at the end of March, the reserves total goes up to $27.04bn.



Mr Nigel Lawson

The Government now clearly has ample ammunition with which to fight any speculative attack on the pound.

However, one worrying side-effect of the rapid rise in reserves is its potentially expansionary effect on growth in broad money supply, sterling M3.

This is difficult to gauge as there are ways of offsetting the impact, including the sale of gilt-edged stock to foreigners. It seems likely, given the strength of the UK government bond market most of last month and keen overseas demand, that this will have gone some way to balance the rise in reserves last month.

Nevertheless, several independent economists are tentatively suggesting that sterling M3 could have risen by as much as 3 per cent during calendar March.

Part 10: **Joe Rogaly** argues that under Mrs Thatcher, local government has gone from bad to very much worse

Invincible ignorance on all sides

THE Conservatives have made more of a hash of local government than perhaps any other area of public life. They have tackled it a dozen and more times in the past seven years, and they have not got it right. They have wrestled with its expenditure in countless different ways, and it is still out of control.

The Prime Minister suggested before the 1979 election that she would abolish rates, yet rates remain unabolished. None of the ministers who have been put in charge seem to have understood local government or even appreciated it: not Mr Michael Heseltine, nor Mr Patrick Jenkin, nor Mr Kenneth Baker, nor, especially, Mr Nicholas Ridley. All four have fumble-fingered their way from one expedient to the next; in consequence, a settled, workable system is still beyond the Government's grasp.

As the Labour Party takes great pleasure in pointing out, no fewer than 14 major bills directly affecting local government have passed through Parliament since 1979. Some of these have done some good, as might be expected from all that flailing around and pushing every button to see what happens next. It was right to abolish the Greater London Council last year, but then it was wrong for the Conservatives to have created it in 1963. It was plain common sense to abolish the other six great, lumbering, metropolitan authorities at the same time, but then it was plain loony of the Conservatives to have legislated for them in 1972.

It was prudent of the incoming administration of 1979 to set a target of slower growth in local authority spending and to follow that with an aspiration to reduce it, but then it was breathtakingly incompetent of that same administration to construct an increasingly complicated series of restrictions each of which was designed, in vain, to compensate for the failure of its predecessor.

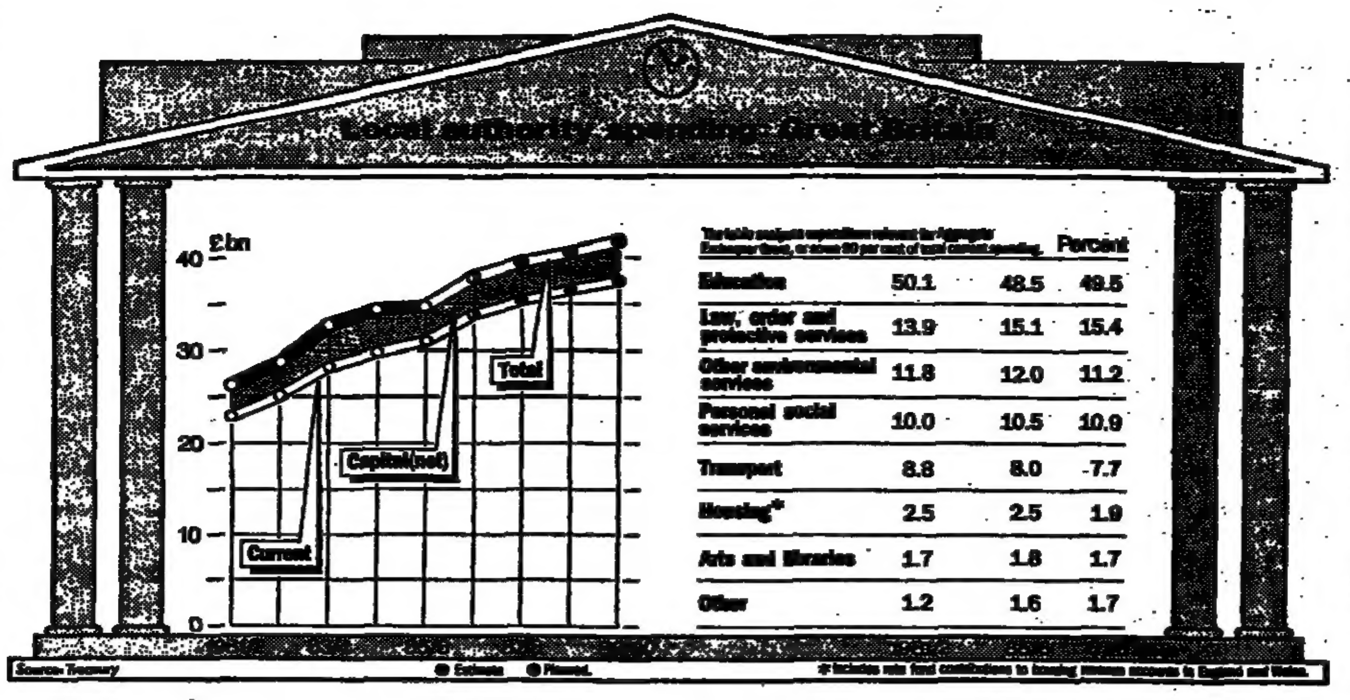
The most damning of the many documents that record this sorry history is the Government's own Green Paper, Paying for Local Government, published 15 months ago. Designed primarily to make good the promise to abolish domestic rates, it is obliged to spend some time turning on their heads the arguments in a 1981 Green Paper, Alternatives to Domestic Rates, and even the subsequent White Paper, Rates, published in 1983. This is not surprising, in view of the latter's unequivocal rejection, on the ground of unworkability, of the flat-rate "community charge" that is the essence of the Government's proposals of January 1986.

What is mildly surprising is the evidence of invincible ignorance that is set out in Paying for Local Government. Invincible ignorance? Yes — of the persistence and ingenuity, not to say perversity, of many local authorities. Consider the record: a block grant system, boiling down into a single helping the previous system of demand-led grants, was introduced in 1980, and the grant as a share of planned local government expenditure was progressively reduced. But "it quickly became apparent . . . that these measures alone were unlikely to bring about the reductions . . . that the Government thought necessary." So expenditure targets were brought in, and penalties, and then higher penalties. Rate-capping was invented. Then individual expenditure targets were abandoned and "incentives" to spend less were increased.

At this point the confession becomes almost embarrassing: the rate of growth in local authority spending certainly was reduced sharply between 1979 and 1986, "but every year since 1979 the Government has been forced to increase the amount allowed for local authority current expenditure in its public expenditure plans." This "modest success" was accompanied by "a worsening of the relationship between central government and even the moderate and responsible local authorities."

You can say all of that again, in spades. The January 1987 Treasury book on the Government's expenditure plans records that local authorities' budgets for 1986-87 were £2.2bn over the mark, and that a further half-a-billion was likely to be spent, mostly on teachers' back pay, making £2.7bn. The likelihood is that this is not the end of the 1986-87 story. The success remains modest.

As to the central-local relationship, the politest way of putting it is that the Government is meeting strong opposition from Conservatives. In October 1986 it jettisoned the proposals for control over capital spending that it had made the previous January. "It was clear," says the Treasury, "that neither of the systems outlined in the consultation documents commanded general support within local government." So it has pointed back to the proposals—a community charge and a uniform business rate—in the original Green Paper.



			Percent
Education	50.1	48.5	49.5
Law, order and protective services	13.9	15.1	15.4
Other environmental services	11.8	12.0	11.2
Personal social services	10.0	10.5	10.9
Transport	8.8	8.0	7.7
Housing*	2.5	2.5	1.9
Arts and libraries	1.7	1.8	1.7
Other	1.2	1.6	1.7

* Includes rate fund contributions to housing revenue accounts in England and Wales.

This will not improve relationships with members of the Association of District Councils (ADC), which declares itself "strongly opposed" to a uniform business rate and proclaims that the community charge would be "so rapidly discredited . . . as to necessitate yet another expensive reform of local taxation within a short period of time." The ADC's governing council has a 3 to 1 Conservative majority.

Meanwhile the pratfalls continue. In December, legal flaws were found in the Local Government Finance Bill (be gentle about this: no normal human being can readily grasp the procedures for fixing rate support grant). The knock-on effect led to a postponement, in February, of proposals to oblige councils to put work out to competitive tender—and to stop spending ratepayers' money on political propaganda. And, to top it all, there is creative accounting.

There is no precise measure of just how much extra ready cash has been liberated by councils that have transported some of their debits across the financial year, or how much has been raised by the sale and leaseback of buildings and equipment, or whether other accounting devices, as yet undiscovered, persist.

> No less than 14 major bills directly affecting local government have passed through Parliament since 1979

There, is, however, one hilarious consequence to it all. A close examination of the detailed accounts presented with the Budget on March 17 indicates that the local authority borrowing requirement in 1986-87 was some £1½bn lower than expected—and that more than half of that saving is due to "miscellaneous financial transactions"—what else but the consequence of creative accounting? Now that £1½bn is 40 per cent of the saving on the Public Sector Borrowing Requirement that was the bedrock of the Budget strategy. No saving, fewer tax cuts. In short, creative accounting by opponents of the Government in the town halls may have done the Conservatives as much good as did Mr Kinnock's trip to Washington last week.

The above exposition of the Conservative record in handling local government would be unfair if it were not accompanied by a reminder of two salient counterpoints. One is that the Labour Government of 1974-79 was itself forced to recognise that the increase in local authority expenditure could not continue for ever, so much so that a statement by the then Environment Secretary, Mr Anthony Crosland, that "the party's over" has become part of the litany of public debate. The International Monetary Fund leaned on that Government, and current expenditure by councils fell in 1977-78.

The second counterpoint is that some of the councils have become engines of destructive inefficiency. This was obvious under Labour, when certain ministers and their advisers were expressing despair in private, and it has been made a matter of honour among the more recalcitrant councils under the Conservatives. Liverpool is merely the most infamous example a report published by the Audit Commission at the end of January gives plenty of evidence of comparably irresponsible behaviour by inner London boroughs.

In certain minds, the recklessness of such councils explains everything. All that the Conservatives have been trying to do, this rationalisation would have us believe, is control the worst excesses of councils run by Marxist-inspired cliques. The excesses may be financial, as in Liverpool, or socio-political, as in Brent. Either way it is the Government's duty, etc, etc. You can hear this sort of thing at a very high level indeed.

It is humbug. The truth is that Mrs Thatcher's ministers are torn between a quite proper desire to reduce local authority spending, and a quite natural desire to let the political excesses run in the knowledge that they lose votes for Labour. Thus torn, they have now hesitated for seven years on the brink of virtual abolition of town hall powers, teetering between their anxiety to extinguish local autonomy and their fear of the consequences of being seen by their own followers to have done so.

It could have been different. One reason why local government has been in such dire straits since the big reorganisation of 1974 is that that arrangement, a product of earlier Conservative legislation, had its roots in the report of a royal commission (Redcliffe-Maud), whose remit was structure, not finance. A subsequent royal commission (Layfield) was concerned with finance, not structure. And so it has continued, until in January 1986, Paying for Local Government was devoted to finance in the absence of proposals on function, purpose or structure.

Now anyone who has run a business knows that the purpose of an organisation and its finances must be comprehended as two sides of a single coin. You cannot get the one right without the other. Why has the Thatcher Government, which speaks so often of its respect for management and business principles, not applied this fundamental concept to its analyses of local government?

The explanation is constitutional. In Britain, local authorities derive their legitimacy from Acts of Parliament. The unwritten constitution has long recognised local government as a means of enabling villages, towns and counties to provide certain services for themselves. The local councils act as a counterweight to the enormous power of a British Cabinet resting on a comfortable parliamentary majority.

But the Civil Service in general and the Treasury in particular have not seen matters that way: as the proportion of local spending paid for by subventions from the centre rose in the years prior to 1979, so the propensity to regard the councils as just another government department increased. This strengthened the Treasury's strong determination to control all public expenditure.

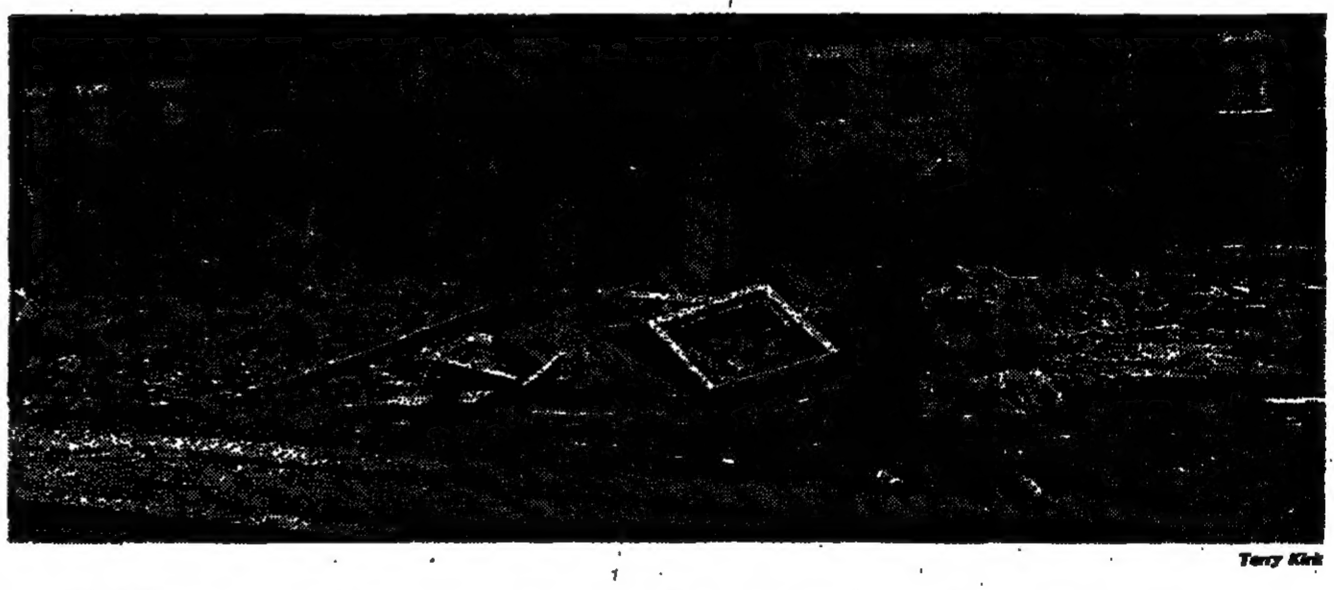
Its approach was a perfect fit with that of the Government that took office in 1979. If the money supply was to be curbed —and that seemed important then—local authority spending had to be controlled. Everything that has happened since, starting with Mr Heseltine's receipt of a brief (ready and waiting?) on block grants in convincing protestations about 1979, right through to the unincreasing local autonomy in the January 1986 Green Paper is consonant with the interests of a centralising bureaucracy. It is also in perfect harmony with Thatcherism as an ideology of expenditure control.

But a new deal for the town halls based on a proper overall consideration of structure, function and finance, would almost certainly lead to a solution that entrenched local autonomy. It might erode central control over current expenditure. At the Department of the Environment, the Treasury and 10 Downing Street they don't want even to think about such a thing.

Present thinking is quite the opposite. If the Government wins the next election it will be sorely tempted to remove further powers from local authorities. The centralisation of education is already well planned, and may have a rationale apart from the general central-local relationship. If some senior Conservatives have their way, all or most of the remaining council estates will be detached and transferred to autonomous, non-elected authorities. There would not be a great deal left: personal social services, as agencies of the National Health Service; the removal of rubbish, the maintenance of sewers, and the like. Some of those could be privatised. Local councils would become purely deliberative bodies able to do little more than make representations on behalf of their constituents.

A fair bet might be that these proposals will be tempered by fear of the consequences of carrying them out. That is a recipe for continuing to make a hash of local government. On their track record to date, it is what a new Conservative administration is most likely to do. Against that, pressure from the shires could lead it to take a fresh look at the democratic value of true local autonomy. If it followed that with a reform that linked structure to finance it would at last begin to make sense of local government.

The Government's housing policy, says **Anthony Harris**, is incoherent



Terry Kirk

Time for market principles

IN PURELY political terms, housing has been one of the most striking successes of Mrs Thatcher's term of office. The sale of council houses and more recently of New Town properties has been immensely popular; so much so that although the proposal was fiercely resisted by the Left when it was mooted, the policy is now bipartisan. The general expansion of owner-occupation may well have helped to consolidate the Conservative vote; it has rather more certainly helped to undermine support for Labour. It is in the housing market rather than the financial markets that Britain is now genuinely a property-owning democracy.

However, perhaps because housing policy has been dominated by a mixture of ideology and electoral calculation, the results have been anything but a success in housing terms. New construction has dropped off precipitately since 1978; public sector output has fallen by two-thirds, while starts in the private sector are only marginally higher than under Labour.

Government critics also argue that the housing stock is in disrepair, and this clearly true in some parts of the public sector. However, the truth about the private sector is almost impossible to guess. The means test now applied to most local authority improvement grants, and the wholesale evasion of VAT in the small building trade, means that most improvement work is now unrecorded. Investors in the shares of builders' merchants and suppliers have some pretty clear evidence that the official construction statistics are far too gloomy.

Above all, though, the Government has made virtually no attempt in its eight years in office to apply its own market principles to housing. Demand is heavily concentrated in the south-east, but supply has found it very difficult to respond because of planning constraints. A modest proposal to release some farming land for development, and the much more ambitious plans for London's Dockland, will slightly ease this constraint on supply, but on nothing like the scale that might have stabilised prices in relation to income. This goes far to explain both the sluggish growth of private housebuilding, and the rapidly widening regional price differentials which are now regarded by the CBI as an important labour market problem.

The private rented sector remains controlled and fiscally disadvantaged, as it has been in this country for more than half a century. A proposal from the Central Policy Review Staff to decontrol rents was studied, and found too hot to handle. The Government has, at length, found a non-controversial way forward through encouraging the creation of controlled tenancies, to be provided mainly by housing associations and financed primarily by building societies.

These have provided a topic for many speeches by Mr John Patten, the Housing Minister. But the scale of the programme, even on the most wildly optimistic assumptions, will be trivial. No Minister has yet found the political courage to propose that the provision of houses for rent should be a normal commercial enterprise, as it is in almost every other Western country; yet if Mrs Thatcher's government cannot give even a rhetorical lead, landlords are likely to remain the victims of popular demonology.

In the public sector public accounting has proved a more intractable problem than Government ideology. Originally it was proposed that funds raised by council house sales should be re-invested in new housing or refurbishment. Since public sector tenants normally stay put for life, or even for several generations, this would in fact have provided for a steady stream of new tenancies, despite the shrinkage of the public sector stock.

In the event, most of these funds have been frozen in the name of public expenditure control; but since local authorities have a statutory duty to provide for the homeless, large sums have been spent on providing low-grade (and sometimes high-grade) hotel accommodation for people who would much rather be tenants. The poverty lobby argues, pretty convincingly, that this is a substantial waste of ratepayers' money except on the very shortest view.

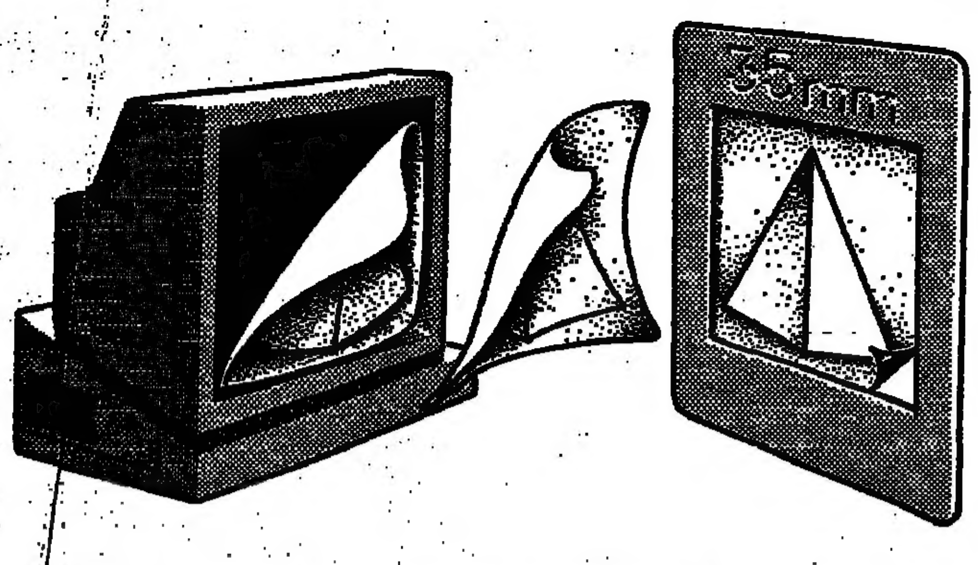
Common sense has been a victim of what Kipling called the laws of the copy-book headings. Programmed expenditure, including economically productive investment, must be constrained, even if the result is to cause a largely offsetting rise in demand-determined expenditure for which the Treasury need not be held responsible.

The Treasury has, it is true, made a helpful contribution (in a purely negative sense) through its stubborn resistance to proposals to raise the ceiling on mortgage tax relief, thus inflating demand and prices still further; only one modest increase has got under its guard in eight years. On the other hand the replacement of the rates by a community charge, in the form so far proposed, would do the same damage in another way. The Government itself says that the reform would raise prices; independent (but professional) guesses put the inflation at 20 to 25 per cent.

The Government's persistent failure to concern itself with the basic problems of the house market and of housing provision suggests a lack of leadership. As long as housing remains the concern of a junior minister, it seems unlikely that the case for a coherent policy based on market principles will be argued strongly in Cabinet. Arbitrary Treasury rules, overridden at times by Central Office susceptibilities or grumbles from marginal constituencies, will continue to bedevil policy. However, if the Prime Minister concludes that house price inflation, labour immobility and the problems of homelessness make a poor advertisement for her basic principles, then a future Thatcher government would certainly not lack an agenda.

Associated British Ports: On this page on March 25, a table gave Associated British Ports' 1986 pre-tax profit as £17.2m. This, in fact, is the 1985 figure. We apologise for the error.

TECHNOLOGY



Business presentations on a low-cost personal basis

BY LOUISE KEHOE IN SAN FRANCISCO

WHETHER the audience numbers five or 500, in a boardroom or a conference hall, few would deny that a set of quality 35mm slides makes the presentation more memorable and persuasive. For many public speakers, however, the time and cost involved in preparing visual material are major drawbacks.

It is a headache greatly being eased by a new approach which uses personal computer add-on equipment and programs to make slides for business presentations.

"Desk-top presentation" products, introduced over the past few months by several US companies, represent what many believe will become an important new application for personal computers.

The potential market for desk-top presentation products is huge. Over 10m US business personnel have been identified as "frequent presenters" who make an average of 100 slides and transparencies per year, in a US study conducted by 3M Corporation.

Market researchers put the size of the US "business presentations" market — including slides and overhead transparencies—at about $5.7bn in 1985, growing to $8.4bn by the end of this decade.

Today the vast majority of presentation material is prepared using conventional methods. These generally involve production of original artwork and a photographic service bureau. By 1989, however, 52 per cent of all personal computers in the US will be used to make presentation materials, predicts International Data Corporation, the US market research firm.

"This is a $5bn industry that is dominated by a 100-year old emulsion technology. That does not make sense. It is expensive and slow, and it is going to change rapidly," says Ben Rosen, a veteran US venture capitalist who has invested in General Parametrics, an early leader in the desk-top presentation field.

Awakening the "sleeping giant" market for personal computer generated slides are low-cost desk-top slide making peripherals. These units plug into personal computers (PCs) and transfer computer screen images onto photographic film, just as a printer transfers computer files onto paper.

Among the latest and highest performance units is the "Imagemaker" from Presentation Technologies of Sunnyvale, California. This is available in two versions: one to work with IBM compatible personal computers, and a new model that works with Apple Computer's Macintosh. Both are priced at $4,995.

The Imagemaker software produces multi-colour text and graphics slides in a variety of standard business formats.

"While others have brought PC-based slidemaking systems to market, none has previously offered service bureau quality resolution at an affordable cost," claims Ralph Rogers, Presentation Technologies marketing vice-president. The Imagemaker produces slides with up to 8000 line resolution for about 50 cents (31 pence) per slide, including film and developing costs, he boasts. Typical US costs for slides, produced by a graphic artist and cameras, run from $30 to $70 per slide. The difference in cost means "Imagemaker can pay for itself with two typical 30-slide presentations," Mr Rogers calculates.

At Wyse Technologies, a California personal computer equipment manufacturer, it took just 72 hours for the Imagemaker to earn its keep, says Ron Brown, director of marketing communications. Beyond cost considerations, "resolution quality was considered one of the most important criteria in choosing a slide making system," he says.

Recently, for the company's international sales conference, Brown created 200 slides on the Imagemaker system in three and a half days. A large 15 by 20 foot projection screen in the conference room made the issue of resolution especially important, and he estimates that the same high quality slide show produced at short notice would have cost a minimum of $6,000 from a service bureau.

For many business presenters, the greatest advantage of desk-top slidemaking is the ability to remain in control of the process, says Alan Platt of General Parametrics. The chief financial officer of a company must typically make a presentation to the board of directors every month or so, he suggests. "If he is going to use slides then he must send very confidential data outside the company. A desk-top slidemaker allows him to maintain confidentiality while producing high-quality visual material."

General Parametric's Photometric 200PC works with IBM-compatible personal computers and can make slides from graphics produced using over 30 popular programs, including Lotus 1-2-3 and Microsoft Chart. The system, which was introduced six months ago, sells for $5,995.

An alternative approach to slide-making on a personal computer, and one which is likely to appeal to "occasional presenters," was launched recently in the US by Koala Technologies. For $150 Koala offers a "Compufilm" kit that enables PC users to transform up to 10 images into 35 mm slides, overhead transparencies or 8 by 10 in colour prints.

Each kit contains a floppy disc that captures user-selected images. The program is compatible with widely used graphics applications including Harvard Presentation Graphics, Microsoft Chart, and Lotus Freelance Plus. Users mail the completed disc to Koala for processing and the company guarantees a 48-hour turnaround.

In concert with the emergence of new personal computer slide-making equipment, new software designed to simplify the task of designing slides has been introduced.

One such program, that is creating excitement among personal computer makers who see it as the key to unlocking the presentations market, is "Powerpoint," published by Forethought Inc, of Sunnyvale, California. Features of the program include word processing capabilities for multi-level bar charts, diagram drawing tools for illustrations, and on-screen slide sorters.

"Powerpoint is a significant product because it is one of the catalysts for this new market," says John Sculley, chairman of Apple Computer. "Just as Aldus Pagemaker helped to create the desk-top publishing boom, so Powerpoint could launch the desk-top slide-making market."

Desk-top slide-makers are a "1,000 to one tool," suggests Fred Gibbons, president of Software Publishing a major publisher of business personal computer software. "By 1,000 to one, I mean productivity leverage," he says. "Now in one minute you can achieve what would have taken 1,000 minutes, and what would have cost $1,000 can now be done for $1."

Keys which unlock cheaper information

BY JANE RIPPETEAU

THREE Scottish entrepreneurs have launched a new company, called RunTime, with a product they and their backers believe could boost the use of computer-based information by making it cheaper to use.

The product "will change the economics of the supply of information," says Charles Read, a former director of information technology with the UK Post Office who has joined RunTime as chairman.

The product is a method for controlling access to information stored on a computer disc or optical disc. A buyer can purchase a disc, but instead of paying the full price, he will pay for only as much of it as he wants to use—with the option of buying more time if desired.

Discs can be expensive to produce and hence costly to buy. A publishing executive and a consultant in industrial training argue that, with the new system, publishers could recoup costs through higher volume sales.

"We have libraries of information we don't know how to sell," says an executive with one large publisher who is negotiating to license the technology. "This will allow us to supply it almost as a consumable, at a very basic cost."

The executive asked not to be named because he feels the technology gives his company a competitive edge.

Sceptics question the company's ability to protect such technology from so-called reverse engineering, whereby an expert would analyse it and "break" the code controlling access to the entire disc.

RunTime founder Robin Walker and his colleagues seem confident their invention cannot easily be cracked. They have a UK patent pending and say a US patent application will be submitted by today. A US search turned up no competing product, they add.

RunTime executives say they have half of a needed £1m in funding from City institutions. Anthony Pearce, a non-executive director, forecasts sales of £2.6m over five years. If that projection holds, he says the company could break even by the end of next year.

WORTH WATCHING

Edited by Geoffrey Charlish

Security's ring of confidence

ELECTRONIC SECURITY based on a ring network of intelligent controllers, to which several kinds of door access unit, burglar alarm and fire detector can be connected, has been developed by Racal-Chubb Security Systems of the UK.

Called Prism, the system can handle up to 30 of the controllers, each of which can deal with eight card access units, for example, or similar numbers of alarms and detectors. Central monitoring is via an IBM personal computer, which gives immediate warning, in text form or on coloured maps, of security problems.

All the activity is recorded and can be recalled on demand. Any controller will continue to work, whatever happens to the rest of the system, since all the relevant data are downloaded to and held in its own memory.

Prism is protected in the event of a network cable being severed, the PC in such an event sending and receiving signals in two directions (down each of the two spurs caused by the ring break). Each controller also has a short circuit isolator, in effect disconnecting any shorted length of cable between two controllers. There is also a series of passwords, used progressively with the various screen menus, to prevent unauthorised use of the PC.

Chubb also will soon launch a digitised image system. When someone attempting access plugs his card into a door reader, the unique card number allows the system to retrieve the owner's image from disk storage. The operator can then compare it with a live image from a TV camera at the door.

Surgery on the electronic brain

BRAIN SURGERY on a microchip may seem a little fanciful, but that is what a UK company, Oxford Applied Research (OAR), recently managed to do on a prototype CMOS (complementary metal oxide silicon) chip.

The chip had been fully designed but had a single fault preventing electrical verification, which was essential if the project was to go forward.

The OAR team was faced with the prospect of removing a bridge of metal one micron (millionth of a metre) across, below which was a half-micron silicon layer and then another metallic conductor, which it was important to leave intact.

The cutting tool used was a focussed beam of ions (charged atoms), developed at OAR, which could be focused to produce an intense energy spot of microscopic size. It made a cut only 25 microns long and one micron wide, removed the offending metal bridge and allowed the chip assessment work to continue.

Putting damper on explosive situation

GRAVINER, THE UK fire detection and suppression company, and ICI, Britain's chemical giant, have jointly developed a powder that will suppress fire following a dust explosion in food plants and similar places. The material is based on sodium bicarbonate and is not toxic. It is being made by ICI Soda Ash in Cheshire.

Product dust is routinely produced during much food processing, and Graviner systems are able to detect the very early stages of the dust explosion and rapidly release large quantities of the powder to prevent the spread of fire. The new powder can be quickly and easily flushed away after an incident, and the plant re-started immediately.

Lines to better telephone networks

BELL NORTHERN Research (BNR), the Canadian-based telecommunications company, has developed software that enables telephone network planners to design and simulate complete systems on a screen and keyboard workstation.

BNR is using the system internally and it is also being evaluated by Bell Canada and the New Brunswick Telephone Company.

The software allows planners to specify and simulate equipment like exchanges, multiplexers and transmission devices and analyse the impact of such variables as the location of various components and the traffic demand.

Results are displayed using advanced colour graphics that allow network designers instantly to see the impact of the decisions they take.

3-D software shows its colours

CADCENTRE, the computer-aided design and manufacturing software centre, of Cambridge, UK, has added colour, "solid" 3-D representation to the well known PDMS software.

PDMS (plant design management system) was developed in the UK in the early 1970s and allows plant engineers to design complex chemical and petrochemical installations with complicated pipe and vessel layouts. In particular, the software allows the "threading" of pipes through the design without producing collisions.

The enhanced PDMS allows the designed plant to be seen as a close approximation to the plastic scale models that are often constructed for visualisation purposes. With the new software, called Visual, the structure can be viewed from any point inside or outside the plant and virtually any colour can be assigned to the various parts. In addition, almost any combination of light sources shining on the plant can be simulated.

CONTACTS: Racal-Chubb Security: UK, 751 5021. Cadcentre: UK, 0223 314848. Oxford Applied Research: UK, 0993 73575. Bell Northern Research: Canada, (613) 728 4636. Graviner: UK, 0753 683245.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

Corporate strategy

How RTZ reshaped itself for a new era

BY STEFAN WAGSTYL


Derek Birkin Group Chief Executive

Breakdown of sales and profit 1985

Metals £2,645.6m (£62.4m)*
Industry £1,974.6 (£144.2m)*
Energy £739.8 (£62.0m)*

*Profit

WHEN SIR Val Duncan, the creator of Rio Tinto-Zinc, the international mining, energy and industrial group, died in 1975 there were fears that the company might be lost without him.

It is a measure of Sir Val's influence that it has taken the group more than a decade to adapt to his departure.

It is not that RTZ's achievements in the past 12 years have been insignificant. They include the development of Argyle, one of the world's largest diamond mines in Australia, the acquisition of Thomas W. Ward and Tunnel Cement, the British industrial companies, the growth of one of the UK's largest speciality chemicals businesses and an expansion into North Sea oil and gas.

But it is only recently that the company has put the final touches to a succession of changes in the way it is run—designed, in the last analysis, to make up for the absence of Sir Val. Sir Alistair Frame, the chairman, says: "The structure was possibly OK in the middle 1970s when Val was chairman but it was too loose. We could not possibly continue to run the group like that."

Sir Alistair, a 57-year-old Scottish engineer who arrived at RTZ in 1968 after working for the UK Atomic Energy Authority, has been one of the two leading architects of reform. The other is Derek Birkin, chief executive, also 57, who joined RTZ from Tunnel Cement in 1982.

They are said to work well together—the aggressive Scot, veteran of a number of fights with the Government, and the tough Yorkshireman, with a fearsome reputation for getting the most out of his managers.

Sir Alistair has taken the initiative on a number of fronts, in particular the North Sea expansion. But outsiders say that in management reform it is Birkin who has led the way.

The need for change has not always been apparent. Net profits have grown from £36m in 1975 to £236m in 1985. After allowing for inflation, the performance is much flatter. But the record is remarkable in comparison with most other mining groups, some of which have been brought to the brink of bankruptcy by the recession in metal markets in the 1980s.

But it is possible that even if Sir Val had lived, the group's structure would have been changed in response to some significant shifts in the spread of RTZ's activities. In the early 1970s, metal mining contributed about three-quarters of group pre-tax profits, with the lion's share coming from CRA, the Australian associate.

By 1985, the proportion was down to one quarter. The rest came from a wide range of operations — coal, oil and gas, engineering, chemicals, construction and metal fabrication. Diversification has been matched by a growth in the importance of the group's UK businesses.

These UK-based industrial subsidiaries, sometimes operating in related and overlapping areas, could not be run in the same hands-off way as the company's distant overseas mining companies.

However, the influence of diversification on management reform should not be exaggerated. Diversification was a central element of Sir Val's philosophy—the group first ventured into the North Sea in 1964; the interest in speciality chemicals dates back at least to the acquisition of UK-based Borax Holdings in 1968.

Sir Val, with his close colleagues, Sir Mark Turner and Roy Wright, dealt directly with the chairmen of far-flung subsidiaries and associates as he travelled constantly around the world. He had first-rate managers and advisers but the way in which they worked together was very informal for such a large company. Running the company at a time of great expansion in the mining industry, Sir Val is said to have carried RTZ around "in his head."

The difficulty for his successors has been to preserve the strengths of Sir Val's style, above all his entrepreneurial flair, within a more structured framework. Sir Alistair says the need for reform emerged slowly, under Sir Mark Turner, an experienced banker. "There were no disasters. It was an evolutionary process. We tightened things up gradually."

Sir Mark split the group's two top jobs in 1979, retaining the chairmanship and giving the post of chief executive to Sir Alistair. This was important because it acknowledged the need to formalise responsibilities at headquarters in London's St James's Square.

But Sir Mark, who was 69 when he took charge, was seen by many in the industry as a caretaker chairman. The talk was about who would come next. The favourite was Sir Roderick Carnegie, the young chairman and chief executive of CRA. Sir Roderick, who took charge at CRA in 1971 aged 39, was seen by many as a man with the talent and ambition to fill the vacuum left by Sir Val.

However, Sir Roderick had his enemies in London, including those who feared that the centre of gravity in the group might shift from London to Melbourne. So when Sir Mark retired in 1981, he brought in to succeed him Sir Anthony Tuke, the retiring chairman of Barclays Bank.

Sir Alistair was by now making his influence felt. With metal profits tumbling, he looked for a non-mining investment and in 1982 intervened in a bid battle to buy Thomas W. Ward and Tunnel Cement. With them came Tunnel's chief executive Derek Birkin.

Birkin says that on his arrival he was struck by the similarities between Tunnel and RTZ. Although Tunnel was a much smaller company it put the same value on devolving management control to entrepreneurial attitudes, he says.

However, judging by his actions, Birkin found some of the differences between the groups equally striking. The pace of management reform at RTZ accelerated.

The headquarters staff in St James's Square was cut back from 500 to about 170, with much of the reduction coming in support services, such as engineering and marketing which operating companies were encouraged to handle themselves. The role of the remaining staff at St James's Square was concentrated on group-wide activities, such as planning and financial control.

More important, the heart of the decision-making process was transformed in 1984-85 when Sir Anthony retired and Sir Alistair and Birkin took the two top posts. Drawing on his experience at Tunnel, Birkin brought in to St James's Square the four chairmen of the largest UK operating divisions. The day-to-day management of these operations was passed to newly-appointed chief executives to leave the chairmen free to think in group terms.

Birkin established a chief executive's committee made up of these chairmen, plus the head of planning and the finance director.

The committee meets weekly, its sessions often attended by Sir Alistair as well as Birkin. It forms the nucleus of the group board, whose membership was sharply cut back from 25 to 16. The down-to-earth Birkin placed the emphasis firmly on individual responsibility for particular subsidiaries. The group lost its so-called staff directors, headquarters executives with group-wide corporate functions.

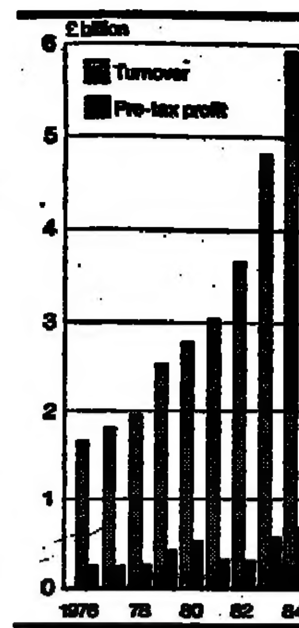
Sir Alistair says that when he started as chief executive in 1979 some 20 people reported to him. Birkin now has five—the fellow members of his chief executive's committee.

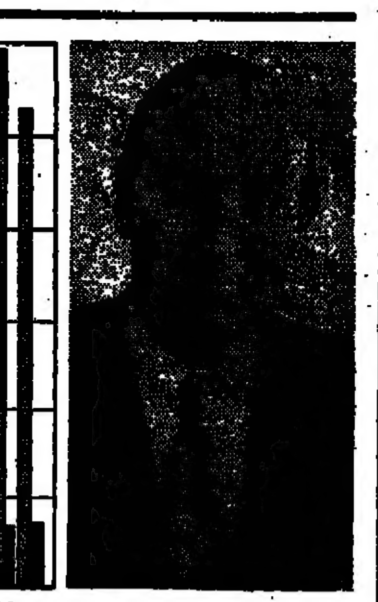
Writing in the 1985 annual report, Birkin said: "This is not an unusual structure but it does represent a marked change for RTZ." The central role of the committee is to review the strategies of operating subsidiaries, usually once every two years, and then to monitor performance. Financial statements come in once a month (as opposed to once every three months previously) to ensure a steady flow of information.

Birkin says that companies which perform according to plan are given as much autonomy as possible. There are important exceptions to the rule. The structure governs RTZ's wholly-owned companies. However, CRA and Rio Algom, the Canadian mining and steel affiliate, are treated differently as independently-listed companies. They are the direct responsibility of Sir Alistair and Birkin, in the same way as they were once Sir Val's.

The relationship with CRA has been particularly sensitive, partly because of its size, partly because of the attitude of the Australian Government and partly because of the ambitions of Sir Roderick, before he resigned suddenly last summer. To conform with Canberra's policy of "Australianising" the ownership of Australian companies, RTZ has steadily cut back its stake in CRA from 72.6 per cent in 1979 to 49 per cent now. Sir Roderick enthusiastically supported this transformation.

However, RTZ was rather uneasy about some of his other ideas, in particular aspects of his strategy of broadening CRA by investing overseas in downstream metals operations. The group was apparently especially worried by a bold plan to buy into the West German steel industry—which eventually fell through in 1984 because of political difficulties in that country.




Sir Alistair Frame Group Chairman

Sir Alistair and Birkin decline to discuss Sir Roderick's resignation. But it seems fair to suggest that Sir Roderick had probably grown to dislike the restraining influence of RTZ, while the group had come to prefer a less independent-minded man in charge of CRA.

RTZ only cut its stake below the critical 50 per cent level last October, after Sir Roderick's successor as chief executive, John Ralph, had been appointed.

In all their work on restructuring the company, Sir Alistair and Derek Birkin did not question the principles of its operational and geographical diversity. To outsiders it might seem illogical to run RTZ as a group at all. But the company argues that the experience of the 1980s shows that diversity is strength to groups in cyclical markets.

Philip Crowson, the group's chief economist, says that many mining companies are now diversifying out of necessity—RTZ did it 20 years ago out of choice.

So although the group has concentrated its efforts in the 1980s on its industrial side—notably in building its speciality chemicals business by acquisition and internal investment, it has not neglected metals.

Mining schemes on the company's books include the $1bn development of Escondida, the world's largest unexploited copper deposit in Chile, in partnership with Australia's BHP. "We are going to make sure that further investments are made because we don't want to lose our pre-eminence as an operator of low-cost mines," says Sir Alistair.

A drive to arrive 'just-in-time'

Kenneth Gooding on Audi's supply structures

PART OF the Japanese motor industry's cost advantage over its Western competitors comes from having material and component suppliers clustered closely around car assembly plants so they can deliver "just in time" in just the right quantities.

In the West the geographic spread of the supply base is generally much wider than in Japan. One of the industry's most important challenges, therefore, is to develop the logistics for "just in time" deliveries from long distances, according to Hermann Stubig, the board member in charge of production for Audi, the upmarket subsidiary within the Volkswagen group of West Germany.

Stubig points out that Audi is not the only car company following a marketing strategy which involves offering the customer more choice and more added value but which results in more complexity at the production plant.

In one particular instance Audi has solved the problem by persuading the supplier to move close to the factory. But, says Stubig, generally that is not an acceptable answer. Among other things, "we must be careful we do not take jobs away from the areas of low employment."

He defines logistics as (a) the transport of materials, (b) ensuring that the right materials are available for transporting, and (c) storing those materials with an effective inventory system.

At Audi's Ingolstadt factory in West Germany, about 15 per cent of the cost of producing the new Audi 80 car is accounted for by logistics, according to Stubig — about the same proportion as labour costs.

Materials account for 55 to 60 per cent and the rest of cost relates to capital investment.

Audi is determined to cut its logistic costs by half in the next few years. Stubig suggests that by taking logistics into account when work is going on in research and development, purchasing, manufacturing, marketing and sales, a modern manufacturing company can gain extra cost savings.

Stubig's interest in logistics developed as the complexity of Audi's production process increased. Five years ago the company needed 30,000 stock items to produce its range of models. Today it needs 150,000.

At Inglostadt today, bumpers, door trim and seats for the Audi 80 and Audi 100 arrive every hour. Audi wanted to be able to offer a huge range of different seats in the new 80 to provide each customer with seats "tailor-made" to his own requirement. This could only be done because the supplier, a French company, Bertrand Faure, was persuaded to set up a seat assembly plant just 25 kilometres away from Inglostadt.

The former Audi 80 offered 780 different seat specifications. The new model has about 6,000. Audi could not afford the space to provide a buffer stock for such a variety. So the supplier sends a truck load of seats every hour of the working day and is linked with Audi's computer-controlled production schedule.

On the other hand, as the choice offered by Audi in the way of different engines, four-wheel-drive and so on continues to widen, so—inevitably—will the area from which the company will draw its supplies.

Stubig says some suppliers will be 1,000 kilometres away once the European Community harmonises transport regulations. Advanced logistics must be developed to cope with that.

Stubig, who is also chairman of the West German Institute of Logistics, claims that most current engineering and economics courses were established in the 1960s and as a result, take little account of the importance of logistics.

His institute, which draws 40 per cent of its funds from the government, is attempting to change the courses at five key West German universities to put more emphasis on the subject in future.

Corporate Renewal in Europe

A collection of case studies of Corporate Renewal in Europe, based on articles published in the Financial Times, has just been published. Companies covered include Benetton, Bertelsmann, Bosch, BSN, BP, Courtaulds, Elf-Aquitaine, Fiat, GKN, ICL, JCB, Montedison, Norsk Hydro, Olivetti, Pechiney, Pilkington, Philips, Rolls-Royce Motors, Siemens and Unilever. Price £4.50 incl. p & p, from Mike Robinson, FT Publicity Department.

APPOINTMENTS

New structure at Chloride

CHLORIDE GROUP'S three operations—automotive, industrial and power electronics are to be replaced by global product divisions, each of which will have direct responsibility for specific products and their worldwide marketing. There will be four main business areas, and a fifth activity which will be responsible for new businesses. In industrial batteries there will be three product divisions — motive power, standby power and defence. Mr Michael Farebrother, currently responsible for Chloride Industrial Batteries Limited has been appointed managing director of industrial batteries with global responsibility for all three divisions. In electrical/electronics there will be the power supplies and power systems divisions, together with the emergency lighting business. Mr Roger Holmes, who becomes group executive for the electrical and electronics business area, continues to have responsibility for those activities and remains the main board member with direct responsibility for the development of the sodium sulphur battery. In corporate operations Mr Angus Fraser, currently managing director of the industrial battery operations, has been appointed group executive director, corporate operations. He will have responsibility for group strategic planning, new business ventures, group technology and licensing, legal, secretarial and external affairs.

Exide Europe will be responsible for the development and implementation of an integrated sales and marketing and sourcing strategy for automotive batteries in the UK and Europe. Mr Ray Horrocks, a non-executive director of Chloride Group will act as non-executive chairman of Exide Europe. Mr Randall Thomas, currently responsible for Chloride Automotive Batteries, is to be managing director of this new business unit. Mr Charles Griffiths, managing director of Chloride Scandinavia, is appointed marketing director. Mr Angus Fraser, group executive director, corporate operations, and Mr Peter Regnier, group finance director, will join Mr Horrocks, Mr Thomas and Mr Griffiths on the management board of Exide Europe. Exide International will be responsible for all sales, marketing and sourcing of automotive batteries outside Europe. Mr Ed Van Geel, currently responsible for Chloride Egypt, has been appointed managing director of Exide International. He will be directly responsible for all of Chloride's automotive activities in India, Sri Lanka, South Africa, Egypt, Cyprus, Nigeria and the rest of Africa.

Following the reorganisation, Mr Ron Hancock, managing director of Chloride's automotive operations worldwide, has resigned from the board and will be leaving the company on April 30 to pursue other business interests.

TSB Scotland reorganisation

Mr Eric Wilson has become chief general manager, TSB SCOTLAND, and the following reorganisation has taken place: Mr Alastair Dempster, a general manager, has been appointed senior general manager—corporate banking. He will also deputise for the chief general manager. Mr Tony Davidson, general manager—finance and technology has been appointed senior general manager—retail banking. Mr David McLean, general manager—administration becomes general manager—personnel and technology. Mr Douglas Peebles, secretary and legal adviser, has been appointed general manager—finance and planning. Mr Bruce Ogilvie, area general manager—west, is made assistant general manager — central banking services. Mr Charles Johnston, area general manager—east, has been transferred to head office and appointed assistant general manager (special duties).

★

Mr Robin Scrimgeour has joined stockbrokers NATIONAL INVESTMENT GROUP to take over responsibility for the Cirencester office of the company's Margetts & Addenbrooke division. He was with Alexanders, Laing & Cruikshank and J. & A. Scrimgeour.

★

Mr Neil Osborn has been appointed a director of TYNDALL HOLDINGS (formerly Brint Investments), as group finance director. He remains company secretary.

★

R.H. TECHNICAL INDUSTRIES, Winchester, has appointed Mr Paul Streatfield as finance director and company secretary. R.H. was recently acquired by the Laird Group. Mr Streatfield was UK financial controller with Wavin Plastics, a member of the Shell Group of companies.

★

CHRISTIAN SALVESEN has appointed Dr Christopher Masters as a director. He is chairman and managing director of the industrial services division.

هكذا في الأصل

ITALIAN TAKEOVERS

Alan Friedman on Raul Gardini's plans for Montedison

Ferruzzi pursues an agri-vision

FOR SEVERAL weeks now a small army of Italian business watchers — including institutional investors, stockbrokers, analysts and an assortment of bankers and businessmen in places as far apart as New York and London—has been wondering just what is going on inside the corporate mind of Italy's Ferruzzi agri-industrial group.

This high level of curiosity has been generated by Ferruzzi's acquisition of 40 per cent of the Montedison chemicals concern, and with this shareholding effective control of Italy's second largest private sector company after Fiat.

Two questions have been posed. First, is the arrival of Mr Raul Gardini, who heads Ferruzzi and who married into the family which controls the company, a good thing or not? And second, why has Mr Gardini spent the colossal sum of \$1.7bn since last autumn to obtain control of an industrial company paying a dividend which yields some five points less than the return currently available on Italian Treasury bonds?

This week, at the group's Milan offices, Ferruzzi executives described for the first time the kind of projects which the company—Italy's third largest when measured on turnover—has in store for Montedison as it lays out the Gardini strategy of creating "Europe's leading agri-industrial group."

Inside the Ferruzzi executive suite they are already talking excitedly about consolidating Montedison and Ferruzzi accounts. On the surface such a prospect would appear to be hypothetical unless Ferruzzi is planning to increase its holding to 51 per cent.

Nonetheless, they describe Agricola, the main stock market-listed Ferruzzi holding company, as having an "aggregate" turnover of L19,000bn (\$14.6bn)—once Montedison's L13,000bn of revenues are included along with the L1,300bn to come from the newly-acquired European starch and glucose operations of CPC International.

Numbers aside—and Ferruzzi itself has yet to produce a consolidated balance sheet—what exactly is the strategy which has led Mr Gardini to speak of numerous synergies between Ferruzzi and Montedison, a group which is in chemicals, energy, pharmaceuticals and financial services?

The answer is to be found in Mr Gardini's personal vision of Ferruzzi as the world's third largest agri-industrial group after Unilever and Nestle.

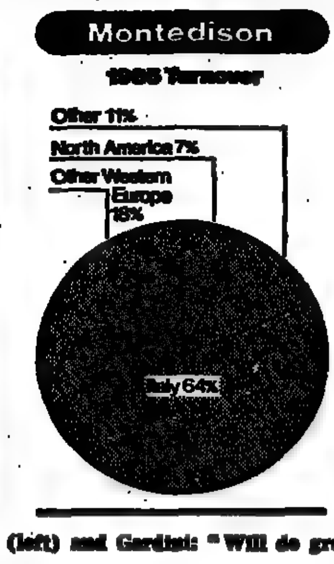
With last week's \$630m purchase of the European interests of CPC, Ferruzzi become Europe's leading starch producer. It is already Europe's biggest sugar processor and would have been bigger still had its proposed takeover of British Sugar not been vetoed by Britain's Monopolies Commission.

Ferruzzi, according to Mr Gardini's aides, has "no intention of dismembering Montedison." Instead, they say they wish to create an integrated agri-industrial group which uses Montedison's energy subsidiary (SELM) to provide farmers with fuel and hydro-electric power and its Agrimont and Fertimont fertiliser and pesticide subsidiaries to offer these essential materials.

Ferruzzi's 80,000 soyabean farmers and 30,000 beet farmers in Italy, together with a further 120,000 farmers in other parts of Europe, will meanwhile provide the raw products needed by the group for sugar, starch, oil and food processing. Many of these intermediaries could then be channelled to Montedison pharmaceutical, adhesive manufacturing and other chemical interests.

Ferruzzi says that 20 per cent of the starch produced in Europe is consumed by the paper products industry and some 12 per cent goes to the pharmaceuticals business. Ferruzzi's Beghin-Say subsidiary owns Kayserberg, the leading French domestic paper products concern. Montedison owns the Farmitalia Carlo Erba pharmaceuticals business, which recently acquired Antibioticos, a bulk pharmaceuticals business in Spain.

The Ferruzzi executives see a natural fit between CPC (the starch producer) and these paper and pharmaceuticals companies.



Mario Schimberni (left) and Gardini: "Will do great things together."

The Ferruzzi planners see other prospects for integrated businesses: the group produces soya and vegetable oils and reckons on providing these oils to detergent manufacturers such as Mira Lanza, which is controlled partly by Montedison and partly by Agricola.

Another project which Ferruzzi has in mind is the use of its own fleet of 12 bulk carriers in a counter-trade business which would see, for example, Montedison transporting fertiliser to developing countries and returning with cereals.

The Ferruzzi men claim they are already working with Montedison on two projects—the first is a joint research venture in developing anti-pollution and environmental control systems.

The second is co-operation between Montedison's Tecnimont civil engineering subsidiary and Beghin-Say on building sugar refineries in Ethiopia and Madagascar, and between Tecnimont and Silos, a Ferruzzi grain handling unit, on building grain silos in Kenya and Niger.

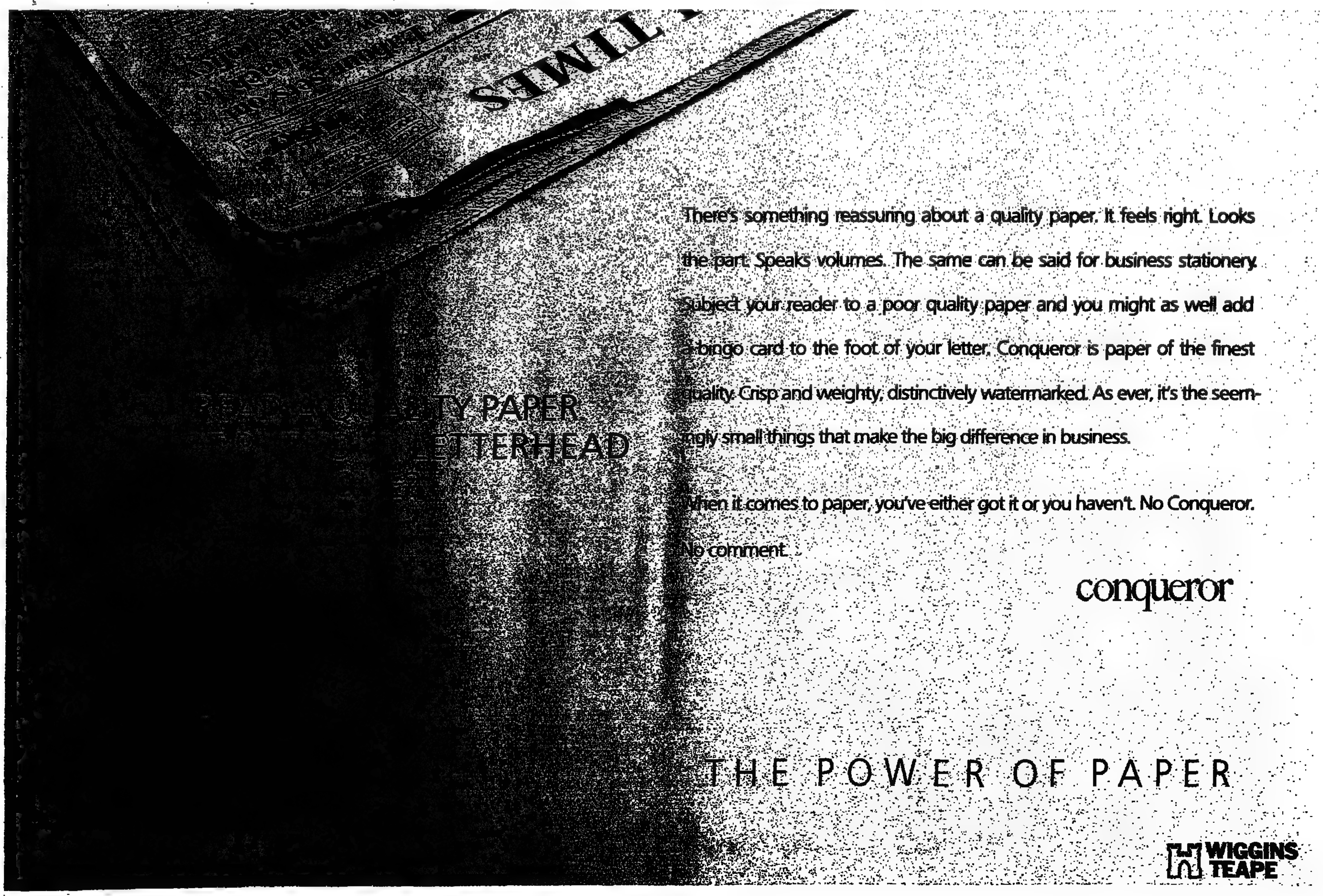
In each case they claim that Calcestruzzi, the Ferruzzi construction subsidiary, can play a part.

The above is an initial list of the hoped-for synergies which explain why Mr Gardini has said (with a bit of rhetorical flourish) that he and Mr Mario Schimberni, the Montedison chairman who is faced suddenly with a single controlling shareholder, will "do great things together."

The two men have met several times recently, both to discuss the allocation to Mr Gardini's men of seats on the main board and management positions in Montedison subsidiaries, and to examine ventures between Ferruzzi and Montedison.

Ferruzzi executives claim they wish to encourage Mr Schimberni's aggressive acquisition strategy which they say they admire. "We are a guarantor of Mr Schimberni's policy of expanding," says one senior aide to Mr Gardini, adding that Montedison "has never had such a solid shareholder behind it."

When asked whether they might eventually like to see a merger with Montedison, the Ferruzzi executives respond that it is premature to speak in such terms. Yet the logic behind their overall planning would appear to suggest this at least is a possibility sometime in the future.



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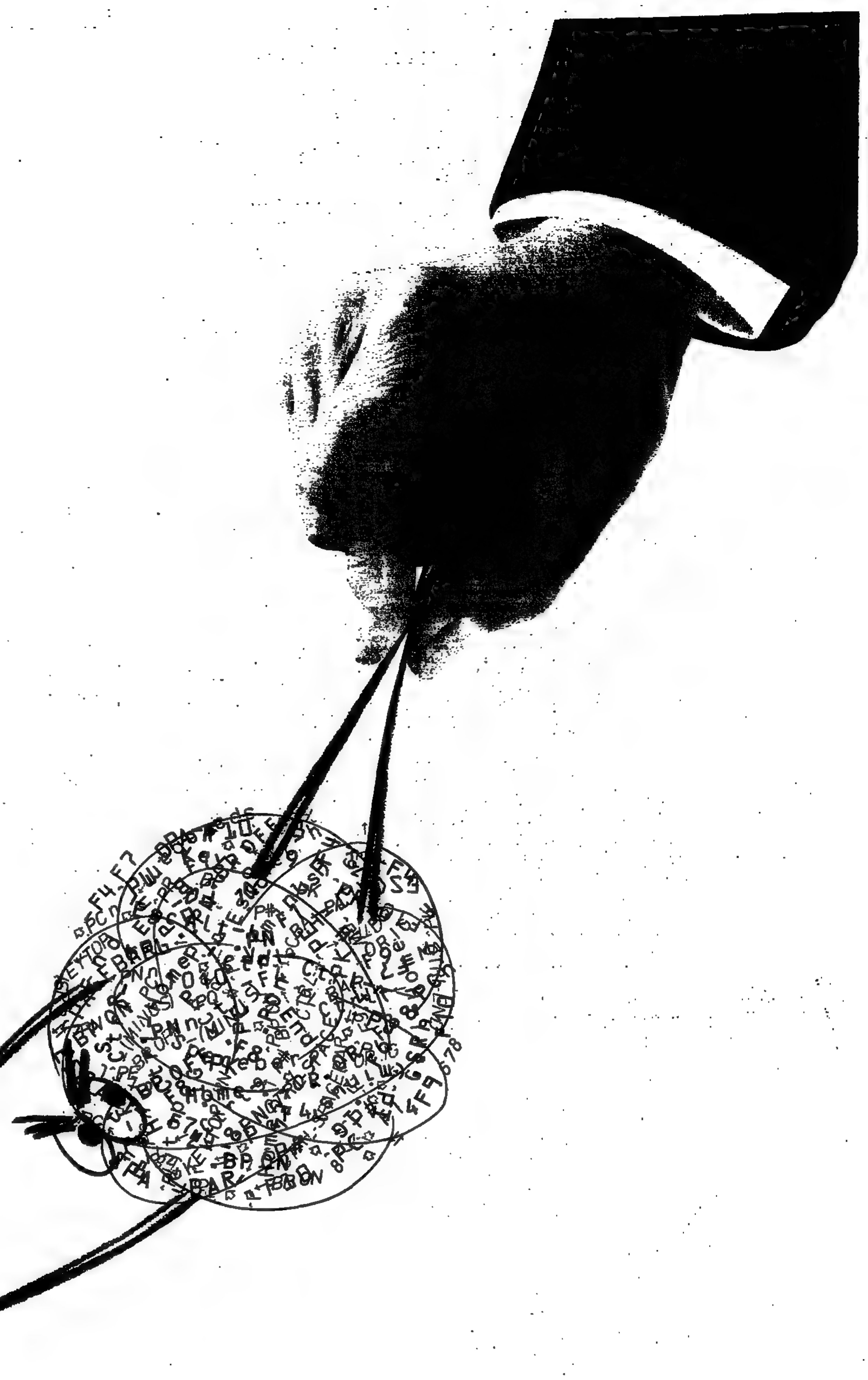

ASHTON·TATE
TECHNOLOGY WITHOUT THE GOBBLEDYGOOK.

THE ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
3	4	5	6	7	8	9

Music

ITALY

Rome, Auditorium in Via Della Conciliazione: Mon and Tue, George Pretre conducting. Mahler and Strauss (54 10 44).

Rome, Teatro Ghione (Via Delle Fornaci, 37): Pianist Angela Hewitt. Bach (Tue). (637 2294).

VIENNA

Academy of St Martin in the Fields, with Heinrich Schiff, Cello. Weber, Saint-Saens, Beethoven. Musikverein. (Mon).

Prague String Quartet. Mozart, Janacek, Smetana. Musikverein Brahms Saal (Tue).

Bach's St. John's Passion. Vienna Chamber Orchestra and choir, conducted by Günther Theuring; with Brigitte Poschner, soprano; Jadwiga Rappe, alto, Kurt Equiluz, tenor, Heinz-Jürgen Demitz and Anton Scharinger, bass. Konzerthaus (Tue).

Vienna Symphony Orchestra, conducted by Gary Bertini; with Krystina Laki, soprano; Brigitte Fassbaender, alto. Mahler's second symphony. Musikverein (Wed and Thur).

ORF (State Broadcasting) Symphony Orchestra and the singer's academy conducted by Gianandrea Gavazzeni; with Sona Ghazarian, soprano; Manfred Hemm, baritone; Karin Adam, violin. Respighi, Busoni, Malipiero. Konzerthaus (Thur).

First Women's Chamber Orchestra of Austria conducted by Carmen Moral, with Anna Lesk, oboe. Takacs, Mozart, Sibelius, Janacek. Konzerthaus, Mozart Saal. (Thur).

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Chamber Choir and the Amsterdam Bach Soloists conducted by Michel Corboz: Bach (Tue). (71 83 45).

Rotterdam, Doelen. James Conlon conducting the Rotterdam Philharmonic, with Marien van Staalen, cello; Robert Tear, tenor; and Martin van de Merwe, horn: Britten (Wed). The Rotterdam Philharmonic under James Conlon, with Mitsuko Uchida, piano: Mozart (Thur). (414 29 11).

Utrecht, Vredenburg. Hartmut Hänchen conducting the Netherlands Philharmonic (Mon). Recital Hall: The Orlando Quartet with Elsa de Waal, piano: Brahms (Tue). The Philomel Ensemble: Couperin, Leclair, Boismortier, Duphly (Thur). (31 45 44).

The Hague, Diligentia. The Arion Ensemble under A. Lemmo, with Janet Krauss, violin: Van Wassenaer, Schubert, Elgar, Hindemith, Stravinsky (Wed). (65 18 51).

Maastricht, Schouwburg. Chamber recital by the Gabrieli Quartet (Wed). (21 33 60).

PARIS

Orchestre Colonne, conducted by Pierre-Michel Durand; with Brigitte Engerer, piano: Beethoven, Liszt, Tchaikovsky (Mon). Salle Pleyel (4233 7280).

Gwendolyn Bradley, soprano; Mary McLaughlin, soprano; with the Nouvel Orchestre Philharmonique de Radio France conducted by Hans Graf: Mozart (Mon). TMP-Châtelet (4233 4444).

Men's Choir N.D. de la Joie, Ensemble Orchestral Harmonia Nova, conducted by Didier Bouture, Jean-Pierre Lore: Cherubini, Mozart (Tue). Saint-Roch Church (4261 9326).

Ensemble Instrumental du Conservatoire National Superieur de Musique de Paris: Wagner, Gounod (Tue). Musée d'Orsay (4549 4814, ext 4300).

LONDON

Royal Philharmonic Orchestra, conducted by Bramwell Tovey; with Malcolm Binns, piano. Sibelius, Rachmaninov and Tchaikovsky. Royal Festival Hall (Mon). (928 3191).

Budapest Symphony Orchestra, conducted by Gyorgy Lehel; with Jeno Jando, piano. Liszt, Rachmaninov and Tchaikovsky. Barbican Hall (Tue). (638 8891).

Scottish National Orchestra, conducted by Neeme Jarvi; with Raphael Wallfisch, cello. Rimsky-Korsakov, Prokofiev and Dvořák. Royal Festival Hall (Tue).

English Chamber Orchestra, conducted by Raymond Leppard; with Lorraine McAslan, violin; Felicity Lott, soprano. Weber, Spohr and Mendelssohn. Queen Elizabeth Hall (Tue). (928 3191).

London Philharmonic, conducted by Kurt Sanderling; with James Galway, flute. Mozart and Bruckner. Royal Festival Hall (Wed).

London Mozart Players, conducted by Mark Elder; with Ernst Kovacic, violin. Mozart, Sallinen and Haydn. Queen Elizabeth Hall (Wed).

NEW YORK

Carnegie Hall: Indianapolis Symphony, John Nelson conducting; Zoltan Kocsis, piano; Paula Robison flute. Takemitsu, Bartók, Berlioz (Mon); Rudolph Serkin piano recital. All-Beethoven programme (Wed); Itzhak Perlman violin recital. Mixed programme (Thur). (247 7800).

Juilliard Concerts (IBM Gallery): Future Song Ensemble perform contemporary jazz (Wed, 12.30). 56th & Madison.

Merkin Hall (Goodman House): Eugen Gratovich violin and Sylvia Golman piano recital. Messiaen, Beethoven, Schumann, Ives, Ralph Shapey, Respighi, Joaquin Nin (Mon); Steven Schick percussion recital with James Avery piano. Stockhausen, William Hibbard, Kenneth Gaburo, Wuorinen, Stuart Smith, Xenakis (Tue); Zaidee Parkinson and Susan Bailing piano recital. Purcell, Brahms, Bach, Fauré (Thur). 67th w. of Broadway (362 8719).

New York Philharmonic (Avery Fisher Hall): Stanislaw Skrowaczewski conducting, Krystian Zimerman piano. All-Brahms programme (Tue); Leonard Bernstein conducting. All-Ives programme (Thur). Lincoln Center (874 2424).

CHICAGO

Chicago Symphony (Orchestra Hall): Leonard Slatkin conducting, Nadja Salerno-Sonnenberg violin. Joan Tower, Barber, Prokofiev (Thur). (435 8111).

TOKYO

New Japan Philharmonic Orchestra conducted by Seiji Ozawa. Mendelssohn, Mahler. Hitomi Memorial Hall, Showa Women's College, Sangenjaya. (Mon). Mahler Tokyo Bunka Kaikan (Thur). (498 1831).

Tokyo Symphony Orchestra, conducted by Victor Feldbrill; with Leonardo Gelber, piano. Brahms. Tokyo Bunka Kaikan. (Tue). (362 9704; 237 9980).

Orchestre de Paris, conducted by Daniel Barenboim. Debussy, Albeniz, Stravinsky (Wed); Berlioz, Schubert (Thur). Suntory Hall, Akasaka (235 2300; 505 1010).

Opera and Ballet

LONDON

Royal Opera, Covent Garden: The King Goes Forth to France, the third opera of Finland's leading composer, Aulis Sallinen, receives its long-awaited British premiere production by Nicholas Hytner, conducted by Okko Kamu, with Michel Malkye, Stafford Dean, Sarah Walker, Eilene Hannan, Valerie Masterson, and Donald Maxwell in leading roles. (240 1066).

English National Opera, Coliseum: Simon Boccanegra, the ENO's latest Verdi production, brings back to the house David Alden (previously responsible here for the notorious "blow-torch" Mazeppa). Jonathan Summers and Janice Cairns take leading roles; Mark Elder conducts. Tosca, now with Phyllis Cannan in the title role, is Jonathan Miller's most recent ENO operatic updating and probably his least successful; The Mikado, another, much jollier Miller show, makes its last appearance in the current run.

Camden Festival: Robert Ashley, one of the leading American West Coast avant-garde composers, takes a main part in his Atlanta (Acts of God), whose three parts – Max (April 9), Willard (April 10), Bud (April 11) – are all being given at the Bloomsbury Theatre.

PARIS

Marcel Landowski's Montsegur, opera produced for the first time in 1985, conducted by Michel Plasson. The roles of the tragic lovers, victims of religious intolerance between cathares and catholics are sung by Karen Armstrong/Kathleen Martin and by Gino Quilico. Paris Opéra (4266 5022).

Ballet Moiseiev celebrates its 50th anniversary with a suite of traditional Russian dances, with Partisan Fighters, A Day on a Boat and a Winter Celebration at the Palais des Congres (4742 6744).

Maurice Bejart's XXth century ballet: Trois Etudes pour Alexandre, a world premiere with Fernando Bujones, Le Baiser de la Fée with Eric Vu An at the TMP-Châtelet (4233 4444).

WEST GERMANY

Berlin, Deutsche Oper: The week features Das Rheingold and Die Walküre, both produced by Götz Friedrich. In the main parts are Hanna Schwarz, Lucy Peacock, Matti Salminen, Deborah Polaski, Peter Hofmann and Toni Krämer. Further offered Die Zauberflöte with Elfie Hoberth, Carol Malone, Bengt Rundgren and Horst Laubenthal and Zar und Zimmermann.

Hamburg, Staatsoper: Bellini's I Puritani will have its premiere, in a concert version. The cast stars Harald Stamm, Francisco Araiza, Giorgio Zancanaro and Edita Gruberova. Parsifal has fine interpretations by Waltraud Meier and Kurt Moll. Die verkaufte Braut is a well done repertoire performance. A Mirella Freni lieder recital with pianist Paolo Molinari rounds off the week.

Frankfurt, Opera: Das Rheingold, produced by Ruth Berghaus, one of the brightest Frankfurt successes of recent seasons, has Sandra Walker, Cornelia Berger, Wolfgang Probst, Heinz Zednik and Adalbert Waller in the main parts. Jenufa convinces thanks to June Card, brilliant in the title role. Last performance of Hoffmanns Erzählungen with Elisabeth Parcells, Paula Page, Lia Frey-Rabine, William Cochran and Tom Fox.

Cologne, Opera: La Bohème brings Eiko Mishida, Juan Lloveras, Camillo Meghor and Ulrich Hielscher together. Tannhäuser stars Nadine Secunde, Wolfgang Brendel, Klaus König and Matthias Hölle. Also in the repertory: Der Barbier von Sevilla and Gianni Schicchi/Eine Florentinische Tragödie.

Stuttgart, Württembergisches Staatstheater: Werther in Giancarlo del Monaco's production with Yasuko Kozaki, Taro Hannula and Neil Wilson, joining the repertory of Die Soldaten in Harry Kupfer's production, with Nancy Shade, Milagro Vargas, Rüdiger Wohlers and Klaus Hirte; and Fidelio.

Munich, Bayerische Staatsoper: Siegfried and Götterdämmerung both produced by Nikolaus Lehnhoff, and conducted by Wolfgang Sawallisch, with an attractive cast – Hanna Schwarz, Hildegard Behrens, Lisbeth Balslev, Rene Kollo, Martti Salminen and Kurt Moll. Czar and Peg features Julia Varady, Piero Cappuccilli and Carlo Cossutta. Un Ballo in Maschera with Maria Slatinaru, Marjana Lipovsek, Giacomo Aragall and Wolfgang Brendel closes the week.

ITALY

Milan: Teatro alla Scala: Four Ballets conducted by Michel Sasson (80 91 26).

Rome, Teatro dell'Opera: A revival of Visconti's 1965 production of Don Carlo (with the original sets and costumes) directed by Alberto Fassini and conducted by Gustav Kuhn. Giacomo Aragall alternates with Luis Lima in the part of Don Carlo, Robert Servile sings Rodrigo, Roberto Scandiuzzi Filippo II, and Katia Ricciarelli is Elisabetta di Valois; the Teatro dell'Opera Ballet company in works by William Carter to music by Franco Mannino. (46 17 55).

Bologna, Teatro Comunale: L'Elisir d'Amore conducted by Donato Renzetti and directed by Luciano Alberti, who also designed the scenery and costumes. The cast includes Luciano Pavarotti, Silvano Carroli, Alida Ferrarini and Leo Nucci. (529 999).

Turin, Teatro Regio: Yuri Ahronovitch conducting Tosca with Sophia Larson, Nicola Martinucci and Elena Mauti Nunziata (548 000).

Turin, Reggio nell'Emilia: Teatro Valli: Rameau's Hippolyte et Aricie conducted by Jean Claude Malgoire with Carolyn Watkinson, Danielle Borst, Marie Christine Porta, Elisabeth Baudry, Silvana Silbano and Guy de Mey. Pier Luigi Pizzi designed the scenery and costumes. (4 33 45).

Venice: Teatro la Fenice: a new production of La Bohème conducted by Emil Tchakarov with an exceptional cast including Renato Scotto, Raina Kabaivanska, Elena Zilio, Jose Carreras and Leo Nucci. (71 01 61).

VIENNA

Staatsoper: Il Barbiere di Siviglia conducted by Zedda with Baltsa, Slania; Macbeth conducted by Mackerras with Zampieri, Vanco, Bruson, Ghiaurov; Ariadne auf Naxos conducted by Gschlbauer with Murray, Greenberg, Pusar; Raymonda conducted by Richter with Stadler. (51 444/26 53).

Volksoper: Orpheus in der Unterwelt; Hoffmanns Erzählungen; Palestrina; Der Opernball (51 444/26 57).

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera production of Busoni's Doctor Faust directed by Franz Marijnen. The Netherlands Philharmonic conducted by Lucas Vis, with Victor Braun as Faust, Mario Brell as Mephistopheles, and Mary Jane Johnson as the Duchess of Parma (Tue, Thur). (255 455).

The Netherlands Opera touring company with the Barber of Seville directed and designed by Dario Fo, the Netherlands Philharmonic conducted by Stephen Barlow. Louise Winter (Rosina), Yoshihisa Yamaji (Almaviva), and David Malis (Figaro). Tue in Heerlen, Schouwburg (71 66 07).

Scheveningen, Circus Theatre. The Hofstad Operette Company with La Fille de Madame Angot by Charles Lecocq directed by Jan Polak, with the Amsterdam Conservatory Orchestra conducted by Patrice van Opstal (Tue). (56 56 00).

NEW YORK

Metropolitan Opera (Opera House): The week features the final two performances of the season of Turandot, Franco Zeffirelli's controversial production which glitters and dazzles with enormous sets that seem to overwhelm while they delight the eye. James Levine conducts Eva Marton, Placido Domingo and John Macurdy. The first performance of the season of Parsifal in Nathaniel Merrill's production is conducted by James Levine with Tatiana Troyanos, Timothy Jenkins and Simon Estes. Other productions this week are Samson et Dalila conducted by Jean Fournet in Nathaniel Merrill's production with Marilyn Horne, Jon Vickers and Terry Cook, and Dialogues of the Carmelites conducted by Manuel Rosenthal in John Dexter's production with Maria Ewing, Jessye Norman, Florence Quivar and James Courtney. (362 6000).

City Center: Dai Rakuda Kan's nightmarish Japanese visionary theatre of Butoh performs The Five Rings, based on the the Chinese philosophical system that has recently penetrated another realm among management students. 55th e. of 7th Av (247 0430).

New York City Opera: Continuing its tradition of presenting American musicals as a prelude to its new season, the company performs the story of Nellie Forbush and her exotic romance during the Second World War in the South Pacific. Ends April 26. (870 5570).

CHICAGO

Bucket Dance Theatre (Goodman): African and Caribbean influences on choreographer Garth Fagan infuse the work of his company set to music by Dollar Brand, Philip Glass and the Preservation Hall Jazz Band. (Tue through Sat). (443 3800).

TOKYO

La Tragédie de Carmen: Peter Brooks's renowned original production. The Peter Brook Company directed by Brook has been chosen to open Tokyo's newest theatre, the Ginza Saison. By eliminating the usual opera fillers and distractions, concentrating on the main characters and convincing acting and relegating the (conductor-less) orchestra offstage, Peter Brook's version ensures that nothing interferes with the drama and realism. In the five years during which this Carmen has been seen in Europe and the US, Japan has campaigned for its performance here. But Brook rejected every suggested venue. This unlikely modern theatre was accepted because of its flexibility. The newest cultural jewel of the Seibu Group is so deceptively converted into an arena space, complete with red sand floor and plain high walls that it has been made to look like Brook's Paris base, the famed, gutted Théâtre des Bouffes. Other innovations include the civilised 7.30 (8.00 at weekends) start and restaurants for after-theatre dining. Ginza Saison Theatre (535 0555; 980 0080).

Continued on Page 14

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture of feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

Citizen Tom Paine (Eisenhower): Richard Thomas stars in popular historian Howard Fast's look at the Thetford-born American radical's rise and fall to obscurity, in between the fame brought by Common Sense. Ends April 12. Kennedy Center (254 3670).

Ourselves Alone (Arena): American premiere of Anne Devlin's drama of three women trying to balance personal and political conflicts in Northern Ireland stars John Leonard, Heather Ehlers, Randy Danson and Christine Moore, directed by Les Waters. Ends May 10. (488 3300).

Kennedy Center: Imagination Celebration 1987, a nearly month-long pageant of mime, music and dance centres round a production of A Child is Waiting, about disabled children, along with two presentations of the myths of North American Indians. Ends April 26. (254 3000).

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, marathonous and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Cinema/Nigel Andrews

A swipe at sexual hypocrisy

Personal Services directed by Terry Jones
Over the Top directed by Menahem Golan
Haunted Honeymoon directed by Gene Wilder
The Naples Connection directed by Lina Wertmuller

There is a small band of people living in Streatham, among whom I am one, who have never used luncheon vouchers for any purpose other than buying lunch. I cannot therefore bring personal experience to bear on *Personal Services*, the story of Cynthia Paine thinly disguised as "Christine Painter" (Julie Walters). But the movie, written by David Leland and directed by Terry Jones (of Monty Python) clearly shows what we innocents have all been missing. On this evidence, and that of the recent trial, Madame Cyn's only offence was to create an environment where the pillars of our society had a chance to relax their weary pediments.

Julie Walters and Shirley Stelfox with client in "Personal Services"

A maligned lady, but the film adds insights to injury. It humanises the English Madam thanks to a marvellous performance, at once nuanced and forthright, by Julie Walters. From lowly beginnings as a waitress and part-time liver off immoral earnings—she sub-let apartments to prostitutes—our heroine matures into the genteel dominatrix who ministered to male desires in SW16. Walters sports an imperious look and a voice that combines fishwife force with rent-a-Home-Counties-accent elocution. She is mercilessly commonsensical one moment, especially when explaining how much the male sex improves "once you've got a man de-spunked." The next moment, she can have a scuttling charm and the look of an overgrown innocent lost in lubricity.

Leland's script and Jones's direction are both best when swinging a handbag forcefully at sexual hypocrisy. They build a wedding sequence — the bride is Walters' sister—from initial decorum to outright farce (trsnsvestism caught red-knickered in the ladies' loo) and then to a fierce but touching set-to between Walters and her Dad. He paces off angrily across a field, she totters anxiously after him in high heels, then each stands and swats the other eloquently with his/her different view of morality and social propriety.

The more the movie progresses, though, the more a problematic conflict arises between its crusading and its comic elements. Though the film champions sexual tolerance, it relies for most of its laughs on holding sex practices up to ridicule. Only Britain, the country of the "Carry On" films, could so determinedly ward off the threat of eroticism with hearty gaffaws, as we run the gamut of Alec McCowan as a Wing Commander who enjoys drag, John Shrapnel as a lawyer who likes wearing schoolgirl uniforms, Peter Cellier as a bikini-fancying judge, and several other ageing concupiscents who like dressing up, dressings down, bondage and other matters that the film deems the stuff of high hilarity.

Perhaps sex is ludicrous, and some forms of sex more ludicrous than others. But it is also a profound, powerful and protean urge.

And to ignore or deny the emotion of sex while deriding or chastising its physical manifestations plays into the hands of the very censors and Aunt Ednas that *Personal Services* sets out to discredit.

★

There is none of this kinky stuff in *Over The Top*. Goodness knows what would happen if you ever introduced Sylvester Stallone to a man wearing a bikini or a Wing Commander in drag. He would probably lay waste the whole of Western civilisation.

In his new film he contents himself with winning the world arm-wrestling contest in Las Vegas. In this he is egged on by his young son (David Mendenhall), with whom he has spent the movie's first half driving across America in his pulsing diesel truck, a sort of phallic symbol on wheels. The son is a young snob fresh out of cadet school whom he (Stallone) has never met before, having walked out on his wife years before. Now the prodigal father wants to make amends, if only the snotty son will allow him. "Do you really think you can make up 10 years in two to three days?" scoffs Junior. "No," says Dad. But he tries anyway, as they pound throatily west to rendezvous with dying Mum.

And good heavens, what do you think, they *do* come to love each other: despite Mum's death, Stallone's initially repugnant macho creed and a rich apparently psychotic Grandad (Robert Loggia) who keeps kidnapping the boy because he wants custody.

Menahem Golan, Cannon chief, directs it all as if it were *Rocky 5*, with the human dimension usually belted out of the way a.s.a.p. by adrenalin cross-cutting, blazing camera angles and a climax of athletic inspirationalism as forearms lock under the bright Vegas lights. Over the top? More than somewhat. But also oddly likeable, whenever it slows down enough to allow you to like it.

★

Haunted Honeymoon is a stretcher - case horror spoof directed by and starring Gene Wilder. Creak go the floorboards, "Oo-er" go the ghosts, and thud goes the movie: repeatedly, as one scene after another falls flat on its face. In comic territory as overtrodden as the haunted house, far more sure and original footwork is needed to make a visit worthwhile. Dom De Luise and Gilda Radnor co-star, but not so as to make a difference.

Still, it is better than *The Naples Connection*. Here we have Italian director Lina Wertmuller going berserk in the city of the title. Top members of a crime syndicate are being murdered one by one, and after each killing the murderer signs off by plunging a hypodermic into his victim's testicles. (Male viewers, please bring smelling salts.

Whodunnit? Well, it seems to be a mothers-against-the-Mob organisation, who want revenge against the profiteering hoodlums who have led their children down the tragic path of drug abuse. Strong subject, but here given caterwauling treatment. One noisy scene slides into another with all the subtlety of a motorway pile-up. And as umpteen pairs of international lips—including those of Angela Molina and Harvey Keitel—fail to synchronise with umpteen lines of Italian dialogue, one asks, who will take action against the perpetrators of that long-lived curse of Italian cinema, dubbing abuse?

The King Goes Forth to France/Covent Garden

Max Loppert

Aulis Sallinen's third opera—a joint commission by the Savonlinna Festival, the BBC, and Covent Garden—finally made it to the Royal Opera House on Wednesday, three years after the work's Finnish world premiere. The arrival was late (the London performances had been postponed by two seasons), but it was effected in a manner that made all possible amends. Few new operas of the 1980s possess as much theatrical spark as Sallinen's "chronicle of the coming of the new Ice Age"; few producers of new operas search into their object as deeply, as faithfully, and with as much flair as Nicholas Hytner does here.

Last Saturday I tried to outline on this page some of the notable features and qualities of Paavo Haavikko's libretto (given in the translation by Erkki Arni and Stephen Oliver) and Sallinen's score — the laconic directness of diction and mystifying dense poetic details of the former (which reward repeated hearings with fresh illuminations); the deceptively un-"progressive" simplicity, lightness, and lyrical fluency of the latter. From the Savonlinna premiere the intuitive grasp of the work of the conductor, Okko Kamu (making here his Covent Garden debut), was already famous. From such previous theatrical feats as his Kent Opera *Turn of the Screw* and *King Priam*, his ENO *Xerxes*, his Manchester *Country Wife*, Hytner's ability to "come up with something" might have been counted on.

The combination of all these forces gathered by Covent Garden wonderfully outstrips positive prediction. What was specifically and sorely missing in the Savonlinna staging is generously supplied in London: an awareness of the work's picaresque comic energy. It does not dilute the darkly disturbing underlying theme of mankind's cyclical urge to debase and destroy itself through irrational violence; it does not slight the strange surreal imagery — this is no *Oh What a Lovely War!* In Bob Crowley's basic set, a grey box peopled by a grey refugee populace dragging around their pathetic material remnants, ice and snow are main elements.

But against this background a comedy delightfully tinged with farce is played out, swiftly, deftly, with that sure, uncluttered command of theatrical space that marks all Hytner's work. *Yes Minister* civil servants file in with red despatch boxes; the Prime Minister — a masterpiece of witty observation by Stafford Dean — takes tea before an electric fire; the King's four female suitors are unwrapped in the apparel of 1950s Elstree starlets ("I dreamt I fled the Ice Age in my Maidenform strapless bra").

In the middle act (the first two are given without break) the control of farce grows at once more liberal and tighter—where, in the lunatic Battle of Crecy, another production might excusably have hogged itself on Falklands parallels, Hytner's is selective, and deadly (it also manages to find a first artistically positive use for the house's new surtitles apparatus). A doubt grows in Act 3, as it does about the score: the arrival of the finale is slow, episodic, and its fussy staging as a Jubilee street party does not disguise the temporary loss of pace. Several crucial lines are lost: the ironic exchange between the two Annes about Time treating the rich and poor very well (it makes more of both every day) is thrown away.

But overall the show is a marvellous piece of fertile stagecraft. It inspires brilliant singing-acting, remarkable teamwork: I would say the cast is virtually without weakness, and the Covent Garden orchestra and chorus (whose "archaic" chant lends the score a notable fingerprint) have seldom been better. Not every word of the Danish leading baritone comes over; in Mikael Melbye's King the loss of innocence is so finely charted, and the singing is so beautifully shaped, that the price is a fair one to pay.

One of Sallinen's most touching and refreshing inventions is his manipulation of female voices — in the world of *The King* it's the women, subjugated as ever, who provide the only moments of humanity, tolerance, and forgiveness. Whether in combination (descended from the Act 2 quartet of *Peter Grimes)* or singly, Sarah Walker (declining delicately into madness), Eilene Hannan, Valerie Masterson, and Jane Turner make an unbeatable team. For the English Archer of Donald Maxwell, the ringing Guide of Kim Begley, and the urbane narrator of that superb actor Ian McDiarmid, there is room only for a mention.

It was a brave act of the Royal Opera to commission a Finnish composer, and braver still to persevere with the results, so approachable, so disconcertingly elusive. I think courage has been well rewarded.

Alastair Muir

Mikael Melbye (centre)

Macbeth/Barbican

Martin Hoyle

The London premières of successes from Stratford-upon-Avon are falling into a baleful pattern. Last year the Royal Shakespeare Company's much-loved *Merry Wives* opened at the Barbican with a performance privately admitted by some of the company to have been flat and joyless. And now the sell-out *Macbeth*, praised by all including Michael Coveney in these pages, arrives slackly-paced, under-powered and, on the first night at least, quite the least gripping production I have ever seen of the play.

Without the requisite urgency, intimate domestic passages take on a chattily conversational tone. Without the necessary intensity, violence—both physical and emotional—assumes a throbbingly old-fashioned theatricality. The appearance of three prosaically unimpressive witches heralds the systematic trivialisation of the play, undercut at every level, whether that of battle between good and evil or full-blooded thriller.

Adrian Noble's production throws up striking images, as with the comings and goings during Duncan's murder up the stark flight of steps that Bob Crowley's designs place sideways to us in the panelled, boxed-in world of the Macbeths. Macbeth hurls his goblet from him after seeing Banquo's ghost, and the red liquid forms momentarily a shocking red arc in the dim light. The witches "bubble bubble" over a perverse communion service where bread and wine become not flesh and blood but snake fillet, yew slips and other familiar ingredients. And from outside, spears splinter through Macbeth's wooden walls, almost turning him into a pincushion (as in Kurosawa's Macbeth film, *Throne of Blood)*.

A deliberately intimate, small-scale approach fizzles out ineffectually. Even Lady Macbeth's invocation to the unsexing spirits is merely politely commanding. Sinead Cusack, compact and firm-voiced, might on a good night prove an ideal Gruoch, the not quite immovable object finally crushed by the irresistible force of destiny. Elsewhere it is often painfully obvious that only powerful actors can afford to underplay.

The wet delivery of "The night has been unruly," that scalp-prickling catalogue of freaks and portents, is uttered naffly, presumably so that Macbeth can get his laugh with "'Twas a rough night." In fact, he usually does when it is played absolutely straight; here we simply lose the grim irony.

Incohesive and lacking conviction, the production's main interest lies in Jonathan Pryce's guilty thane. Jittery and nervous, this Macbeth is up against it from the start. He faints at the prophecy of kingship; practically shows us his mind frantically at work when desperately justifying the killing of the sleeping grooms; and, most interestingly, defensively pleads with murderers (convicted criminals, coming to a deal) to kill Banquo. "We are men, my lord," they spit out contemptuously, and he flounders apologetically into the men-dogs metaphor. By the end he is screaming "Bring me no more reports!" as he cowers against a wall; and breaks up "Tomorrow and tomorrow" naturalistically, smiling bravely before dissolving into tears at "a tale told by an idiot." This decent man gone tragically wrong, for all Mr Pryce's slightly monotonous shouting at the end, is not actually a very deep or interesting figure.

As Malcolm, Nicholas Woodeson displays his customary intelligence and his lack of inches, not helped by a costume that makes him look like a perambulating bell-tent. If Mr Pryce makes an unconvincing descendant of Eochaid the Venomous, Hugh Quarshie is, by the fussily naturalistic standards the production sets itself, an improbable progenitor of the royal Stewarts. African features scarcely accord with Mary Queen of Scots or Rupert of the Rhine, let alone Bonny Prince Charlie. More to the immediate point, Mr Quarshie plays Banquo with that occasionally jerky delivery that is getting to be a habit. And what on earth is poor David Troughton's Porter doing with embarrassing byplay with the front stalls and appalling modern jokes? At just under two and a half hours with no interval, the production's shortness—one can hardly say speed—is its prime asset.

Comedians/Liverpool Everyman

Charlotte Keatley

Last summer, Kate Rowlands ran a "School for Comedians" as part of Liverpool's Festival of Comedy, out of which came her idea to direct a female version of Trevor Griffiths' Comedians at the Liverpool Everyman.

The dialectic of the play is that cabaret comedy is a kind of acceptable social violence, disguised by the comedian's technique and condoned by the audience's laughter. I find the Liverpool Everyman's production infinitely more exciting than the original male version of the play, because a roomful of women comics is a more startling theatrical situation through which to challenge the traditions of stand-up comedy.

In Act 1 the aspiring comediennes assemble for their evening class, in a schoolroom of battered desks, graffiti-splattered blackboard, and the institutional clock, which takes away real time and place in Fran Thompson's loyally detailed design. Griffiths' script of warm-up banter and male sparring as the comics prepare for their club night before an agent from London is largely unchanged. As a result, the language and points of reference of the jokes are curiously at odds with the territory we have seen women comics map out in recent years. However, the sheer vitality and inventiveness of the actresses — Pauline Daniels, Jenny Lecoat, Eileen Pollock, Cheryl Maiker, Christine Moore, and Lynda Rooke—converts the original male characters into six idiosyncratic comediennes.

The company turn the sparsity of female precedents in the comedy world to their advantage, particularly Ann Mitchell. She plays Ella Waters, teacher and mentor, as the sort of nicely dressed Englishwoman who could get away with discussing sex and violence on breakfast television, because you couldn't fault her on her sensible footwear and good manners.

In Act 2 the company have provided their own acts within Griffiths' framework of the club night. Each comic enacts the struggle between comic truthfulness and easy laughter of a sexist or racist kind. In this female version, the dilemma is intensified.

As a teenager in the audience of the 1975 premier production, I remember the macho energy of the play and Jonathan Pryce's performance (as Price) in particular as startling and original. Post-punk and with the intervening decade's "alternative comedy" movement, *Comedians* is most dated in exactly the area which once made it original: the anarchic presence of Price, whose silent, white-faced act is a grim display of the victimisation at the heart of most comedy.

Cheryl Maiker's performance here as Price bristles with controlled energy, but the part is never as fascinating nor as clever as Ella Waters, the intellectual thesis to Price's physical antithesis. This is a rousing and skilfully directed production, but ultimately it highlights the need for a 1980s play for women of such talent as this company.

This is my Dream/Stratford E15

Annalena McAfee

For a dramatist or biographer, Josephine Baker's life was a gift. Born in poverty in St Louis in 1906, she was an unwanted black child, growing up against a background of lynchings and race riots. At 13, in 1919, she joined a dance troupe and by the age of 15 had two marriages behind her. Within seven years she was the sweetheart of Paris, performing at the Folies-Bergere and opening her own nightclub. And that was only the beginning.

Indeed Josephine Baker's life was so richly picaresque that, for the playwright, the main danger is in submerging the audience in a mass of fascinating and bizarre details. In *This is My Dream*, Henry Livings attempts to tame a subject that threatens to overwhelm him by using two characters, a black-face clown and an Uncle Sam figure, to comment on the action.

At times they almost conceded defeat: "Josephine caught the boat back to Paris." "Isn't she in Paris?" "No. She's in New York." "It's confusing." "It git worse." And it did, particularly in the attempts to chronicle Josephine's many love affairs, and to document her resolve to form a Negro army in support of Mussolini, and her subsequent opposition to Nazism, with Maurice Chevalier, in boater and blazer, accused of collaboration. At times, the action seemed hectic and the stage over-crowded.

The 10-strong cast, playing more than 40 parts, dealt briskly and economically with the snapshot sketch format and were at their best in the ensemble numbers. As Josephine Baker, Joanne Campbell approached perfect verisimilitude in her wonderful expressiveness and gawky sexuality. The clown commentator, Mr Bones (Raul Newney) cited Josephine's early observation "that people are not dancing because they like dancing. They're dancing so's not to starve."

Josephine's secret was to look as if she was dancing for the hell of it and Joanne Campbell's exuberant performance, particularly in the sensational Banana Dance, conveyed a real sense of joy and mischief. "If an orchid could sizzle, it would be something like Josephine Baker," said one contemporary critic, and the same could be said of Miss Campbell.

But Josephine Baker's adulthood wasn't all adulation and success and here, the format of the play let the subject down. Wheelchair-ridden, after illness which robbed her of the longed-for chance to bear children, Josephine Baker was unable to step out of the revue-style declamatory delivery to inject some real pathos in the scene.

Her defiance of racists received spirited treatment but, ironically, the most poignant moment was in the song and dance number, performed in a white wig, "Si j'Etais Blanche," in which Miss Baker pointed up the absurdity of prejudice.

But Josephine Baker knew her own limitations: "I've got a voice like a nanny goat giving birth," she wailed. Joanne Campbell's voice certainly transcends the farmyard but, with a tendency to waver in the top range, it is not her strongest point.

A pity, then, that the finale, awash with glitz and ostrich feathers, should be marred by a heavy reliance on Miss Campbell's vocal skills. Apart from her own difficulty in retaining notes, she had to contend with a gruesome, Shirley Bassey-style arrangement of Dylan's "The Times They Are A-Changing."

Arts Week

Continued from Page 13

Exhibitions

PARIS

French drawings: At the beginning of the 18th century Louis XIV's love of the grandiose gave way to an art more intimate, more pleasing. A new generation of artists around Antoine Watteau introduced colour as well as a lightness of touch into their drawings under the influence of Venetian and Flemish masters. Musee du Louvre, Pavillon de Flore. Closed Tue. Ends June 1. (4260 3926).

Rembrandt: The exhibition of 341 engravings is exceptional for the proofs showing the stages of Rembrandt's creative process and its imaginative presentation. Landscapes, genre scenes, portraits and autoportraits and biblical scenes testify to the diversity of inspiration and the technical mastery of the painter who was the first to consider engraving as a autonomous artistic expression. Bibliotheque Nationale, 58, Rue Richelieu. Ends May 3 (4703 8126).

Gerard Larguier: the artist celebrates his American inspiration by his choice of themes – American football among others – and by his style – hyper-realism, tempered here by a play of transparencies expressing movement. Jean-Pierre Joubert Gallery, 38 Avenue Matignon. Ends Apr 10 (4562 0715).

Daniel Buren. Having acquired fame with his controversial columns in the Palais Royal gardens, Buren, obsessed with vertical stripes, has taken over the exhibition spaces of the Musée des Arts Décoratifs. The stripes cover everything from a specially erected staircase to china plates and their dressers, from walls to television screens. The colour of the stripes may vary, but the inspiration does not – and the initial surprise turns quickly into a long drawn-out tedium. Musée des Arts Décoratifs, 107 rue de Rivoli (4260 3214). Ends Apr 26.

Tanis, The Gold of the Pharaohs: Part of a dazzling treasure from the tombs of the pharaohs of Lower Egypt is on view in the Grand Palais. Gold, silver and lapis-lazuli funerary masks, pectorals and ceremonial vases were discovered in the late 1930s in the delta of the Nile, in Tanis, the capital of a country torn by internal strife. Yet the relative improverishment seems to have inspired the royal craftsmen with a restrained elegance which appeals to modern sensibility. Grand Palais, closed Tue, Ends July 20 (4289 5410).

WEST GERMANY

Bonn, Städtisches Kunstmuseum, Rathausgasse 7: A retrospective by August Macke (1887-1914). Born in Meschede, Macke studied in Düsseldorf and Berlin under Lovis Corinth. He did much of his work in Bonn, and was responsible for a new art form Rheinische Expressionisten, before the First World War. His journey in the spring of 1914, with Paul Klee and Louis Moillet, to Tunis became a landmark in art history. In the same year he was sent to the front in France, were he died, aged 27 in action in Champagne, Ends May.

ITALY

Venice: Palazzo Grassi: 'The arcimboldo effect': a curious and stimulating exhibition centred on the neglected 16th century Milanese mannerist painter, Giuseppe Arcimboldo. Much appreciated in his own lifetime for his extraordinary composite portraits, in which the features of the sitter would be composed of the tools of his trade. – Pots, pans and vegetables for the cook (which turned upside-down becomes merely a still-life) or books for the librarian. – Arcimboldo spent most of his working life outside Italy, in the service of three Hapsburg emperors. Included is his arresting portrait of Rudolf II as the Etruscan god Vertunno, made up of fruit, vegetables and ears of corn. The exhibition contains works by Arcimboldo's predecessors, such as Leonardo, Durer and Posch, as well as those of artists active in the early years of the 20th century. It attempts to draw links – some obvious (Dali, de Chirico, Man Ray and Duchamp). Ends May 31.

Rome: Galleria Nazionale D'Arte Moderna (viale Delle Belle Arti): Rome's leading gallery celebrates the re-opening of the rooms devoted to twentieth century painting and sculpture with notable foreign acquisitions, such as Cezanne's last work, Le Cabanon De Jourdan and Bruno Mantura's fascinating retrospective of the Italian artist, Domenica Gnoli, who died prematurely in New York, aged 37. Better known outside his home-country, Gnoli was an artist of great subtlety and delicacy, using (in his large canvasses) the techniques of pop art. Gnoli was also a successful theatrical designer, and many of these designs are included amongst the drawings on show. He produced the costumes for Jean-Luis Barrault's La Belle au Bois Dormant in Paris in 1954 and Robert Helpmann's As You Like It at the Old Vic in 1955. Ends April 12.

Rome, Villa Medici: Sartre and Art. The pictures Jean-Paul Sartre would have chosen for his own ideal museum – and a very odd selection they are. Three atypical Tintorettos (seen by Sartre on his first visit to Italy and Simone de Beauvoir in 1933), together with his comments, and works by Alesandre Calder, Giacometti, David Hare and others. The exhibition includes numerous portraits and photographs of Sartre – both alone and with de Beauvoir on visits to China, Cuba etc. On the whole the works Sartre would have chosen for his museum are depressingly close to his political thought and tell us nothing new about him. Ends Apr 15.

Milan, Pinacoteca di Brera: Impressionist Paintings from American Museums – 47 works from the splendid collections held by the Metropolitan in New York and the National Gallery in Washington. Includes works by Boudin, Cézanne, Corot, Degas, Van Gogh, Manet, Pissarro, Renoir and many others. Ends May 10.

SPAIN

Madrid. Diego Rivera. A retrospective 20th century top exponent of Mexican art, this show offers an ample collection of his works, including a film with his fresco murals, 160 oil and tempora paintings, 118 book illustrations. Centro de Arte Reina Sofia, Santa Isabel 52. Ends June 7.

NEW YORK

IBM Gallery: This free exhibition space brings to New York shows curated elsewhere, like the present offering of Pacific island masks and statues from the Tribal Art Centre in Basel and Mexican textiles from 85 tribal weavers. Ends April 25. 57th & Madison.

Museum of Modern Art: The first major retrospective in two decades of Paul Klee includes 250 paintings and waatercolours and 50 drawings and prints, some by arrangement with the Klee Foundation in Bern which has rarely lent them (including large-format paintings from his later life). Ends May 5.

Cooper-Hewitt Museum: The design wing of the Smithsonian housed in Andrew Carnegie's Fifth Avenue mansion, features a special show on folding fans. Organized by textile conservator, Lucy Commoner, the fans reflected the fashions of the times during their heyday from the 17th to early 20th centuries, as demonstrated in the 60 pieces of various shapes and designs. Ends May 31. (91st & 5th Ave).

WASHINGTON

Hirshhorn: 30 paintings from the permanent collection trace the use of bridges as symbols of modernity and the past in works by Thomas Eakins, Winslow Homer, Raphael Soyer and Louis Lozowick among others. Ends May 24.

CHICAGO

Art Institute: A retrospective of more than 150 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, along with landscapes and informal drawings. Ends April 19.

TOKYO

Paul Gauguin (1848-1903): In Search of Paradise. This large exhibition comprising 151 oils, woodcuts, sketches and some sculpture reflects Japan's love-affair with European Impressionism and Post-Impressionism. The first style of Western art encountered by the Japanese when the country opened up to the West in the late 19th century has remained favourite. Works in this exhibition include those from Gauguin's earliest period, showing much affinity to the style of his contemporary and close friend, Van Gogh, and his mature Tahiti period of bright colours and bold patterns. Note the dramatic contrast between Two Nudes on a Tahitian Beach with the earlier Bathers at Dieppe. There is much evidence of Van Gogh's oriental influence. National Museum of Modern Art, Takebashi, near Otemachi business centre and Imperial Palace Moat. Takebashi station, Kitanomaru Park exit. Refreshments on 4th floor. English labels; detailed English catalogue available. Ends May 17. Closed Mon.

Dallas Symposium

To coincide with the opening of the exhibition of the Patsy and Raymond Nasher Collection, A Century of Modern Sculpture, the Dallas Museum of Art is sponsoring a two-day international symposium on recent scholarship and public art. Papers on the sculpture of Matisse, Brancusi and surrealist objects will highlight the first day while the second will be devoted to a seminar featuring Richard Andrews of the National Endowment of the Arts and Kathy Halbreich formerly of the Massachusetts Institute of Technology chaired by Sue Graze of the Dallas Museum.

The Nasher Collection contains works by some of the greatest modern artists, whose work in sculpture rounded out the revision of art and the role of the artist that came to characterise the early 20th century. Major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra highlight the collection of the Nashers, whose success as property developers allowed them to devote much time to collecting, experimenting and researching. Nasher gained acclaim for putting more than 20 sculptures in one of his Dallas shopping centres, where works by Moore, Oldenburg, and Barofsky mingle with the shops and walking arcades. After the exhibit closes on May 31, it will go to the National Gallery in Washington for six months.

Saleroom/Antony Thorncroft

Russia comes to London

Sotheby's made its contribution to better Anglo-Russian relations yesterday by holding an auction of Russian avant-garde art, its first for thirteen years. This is, not surprisingly, a narrow market, and one that attracts its share of fakers, but the total of £1,037,905 was remarkable, even though there was a high 31.42 per cent unsold.

It is now generally agreed that the avant garde movement that flourished in Russia just before, during, and, very briefly after, the 1917 Revolution was one of the most innovative of the century. It had its rivalries and splinter groups but its influence on the rest of Europe was profound.

The top price yesterday was the £134,200 paid for a rare watercolour, entitled "Composition," by El Lissitzky, a disciple of Kasimir Maelevich, the theorist behind Suprematism, the first totally abstract art movement. "Composition" was drawn around 1924 and has been authenticated by the artist's widow. It was bought by a Zurich dealer and as well as being an auction record for Lissitsky sold for twice the estimate.

A leading proponent of Constructivism, which believed in art for the people, was Alexander Rodchenko and an oil by him painted around 1917, also called "Composition," was bought by a private US collector for £121,000, comfortably above forecast. An artist of the Futurist school was Mikhail Larionov and his "Rayonist head of a soldier," dated 1910, went to another Zurich dealer for £91,300, double its estimate. A gouache by Maelevich himself, a picturesque symbolist scene, "The Regatta," executed in 1904 and suggesting the escapism of Czarist middle class life, sold for £50,600.

Another member of the Constructive school, Liubov Popova, Popova was represented by "Stillife," painte din Paris in 1914 under the influence of the early Cubists. A sombre canavas of bronws and greens, it was given by the artist to his finacée as an engagement present. It sold for £45,100 yasterday, at the lower end of its forecast. A familiar name is Kandinsky, and a study for his painting "Abend" went slightly below estimate the £39,600. The main casualty of the sale was an early work by Yuri Annekov, not dissimilar to a Chagall with its airbound and folksy peasans. It was unsild at £58,000.

THE PROPERTY MARKET

BY WILLIAM COCHRANE

TRADING COMPANIES

Merchant developers live up to market expectations

SHARES in UK property companies had a mad month in March, the FT-Actuaries Property Index rising by nearly 9 per cent against a gain of less than 2 per cent in the All Share. Prior to that, the sector had been underperforming, more often than not, since the second half of 1984.

The market has been rife with rumour, say Alan Carter and Gareth Evans of stockbroker L. Messel's property team. At the top end, market gossips were saying that heavy buying from Japanese investors in the sector's biggest company, the £2bn-capitalisation Land Securities, was the prelude to a takeover bid.

At the other, say the Messel team, companies short on track record and high on hope have been gobbling up assets; while the Burford Group, an investment in ground rents and offices placed at 80p on Monday, made a price of 163p in opening dealings.

On a superficial level, the quality of sentiment in the sector is exposed by its return to underperformance this week. "A bit tired," say Messels. The "rational" theory is that talk of a trade war between the US and Britain, and Japan, will make Japanese investors pull in their horns.

However, there has been solid performance, over a longer period, in one-sub-sector. What Messel call the property trading companies—names like Arlington, Bredero, London & Edinburgh Trust, Mountleigh and Speyhawk—show a crude average rise of 109 per cent from their 1986 "lows," against 49 per cent for the sector as a whole.

"Over the past two years," explains Mr Evans, "people got tired of sitting there with big holdings in Lands and MEPC, watching them underperform the market with astonishing regularity." Investment funds looked to switch within the sector, and were attracted to the traders which were motivated by, and valued on earnings performance.

"Property investment companies are valued against net assets per share, which are bigger than the share price," notes Mr Evans. "If you make a 2p profit and take it to the balance sheet it will not count for much. But if you take the same profit to earnings, which are much smaller than the share price, then the shares move in recognition."

Arlington obliges

Three of the big names among the property traders have reported in the past fortnight. A week ago it was Arlington Securities, *wunderkind* of the business park market, with its shares at around 240p against the 115p at which it made its stock market debut in May of last year.

Arlington obliged the bulls with pre-tax profits of £7.05m against a prospectus forecast of £5.15m and £3.01m for 1985. The company explained this by saying that it had sold the land element in its 148-acre Birmingham Business Park for a higher profit than it expected; also that the subsequent sale of its Booker Business Park, 265 acres at High Wycombe, Buckinghamshire, had got it off to a flying start in the current year.

Messel has responded by forecasting £11.85m pre-tax for the current year to indicate a prospective p/e around the 14 mark.

There is nothing new in taking land profits to the P and L, according to the brokers. Developers tend to be short of cash, and borrow money to buy a site. When they get planning permission the site value goes up, the funding institution comes in to buy the land, and possibly to lend the developer money on favourable terms until it has built and let the property.

However the new breed of property company is development rich, makes a huge trading profits against a negligible investment income base, and needs to make bigger and bigger commitments if it wants to stay popular in the stock market.

Mr Evans emphasises that this is: (a) Normal practice; (b) A genuine profit; and (c) A way of avoiding pre-tax profits jumping about all over the place.

However, it may still be a culture shock for the investment analyst that Arlington reports just £466,000 of fixed assets—equipment, furniture and vehicles, mostly—against current assets of £56.6m at December 31 last.

Arlington came to the stock exchange at just about the same time as Bredero Properties, the connoisseur's choice if you like your property company a little more old-fashioned.

Bredero looked like a fund manager's dream with its track record in town centre retail development and the decision of the John Lewis Partnership to develop a new department store alongside the company's Bon Accord Centre development in Aberdeen.

Bredero stymied

It was more than 50 times oversubscribed. But then a major Hammersmith office development was stymied by the local authority. Its Dutch former parent of the same name, still holding 49 per cent of the shares, got into financial problems. When Slough Estates came in to take the Dutch company's holding last December, it got them at the offer for sale price of 145p.

Slough had to make a full scale bid at the same price but it was then clear, says Mr Carter, that Bredero Properties was going to succeed as an independent and the shareholders hung on to see their shares as high as 195p recently.

The company lifted its 1986 profits by 41 per cent to £2.9m pre-tax and there are forecasts around (from Paribas Quilter) of £3.9m this year and £5.3m next, indicating diluted p/e's at 191p of 14.1, 12.4 and 9.7 respectively.

Mr Carter observes that, in buying trading company shares, institutions were topping up money which they had put into the direct development of property. The traders, typically, had already attracted the funds into financing their developments for, say, a yield of 10 per cent plus rather than the 7½ per cent they might subsequently have secured on an investment basis.

One of the pioneers in this area was London and Edinburgh Trust, run by the Beckwith brothers. LET wants to combine the skills of development and merchant banking, and still fancies the title of "merchant developer" which was floated for the sub-sector a year ago.

The company is now emphasising its strategy for growth as a development-rich entrepreneurial property company. Its main leg will be development, investment and quality residential involvement — the latter either as a way of getting planning consent or satisfying the mixed requirements of development authorities.

Leg number two will be its minority holding in Kellock, which brings together the financial services interests which, the market feared, might tempt LET into becoming a financial conglomerate. Stuart McDonald, finance director, says that this side will be "a property merchant bank to some extent, with LET as a client."

The third leg, announced "shyly" after LET's adventures in financial services, will be property services: serviced offices, warehouses and businesses which supply the property industry.

All this gives the impression, in the best sense of the word, of a maturing property developer—a bitter pill, perhaps, for LET directors, who think it is on a mundane investment rating in a sector which is still producing high flyers.

LET has brought this on itself. It reported profits 64 per cent higher at £15.1m this week, while the more conservative of a range of brokers' forecasts of £25m to £29m pre-tax for the current year could put it on a prospective p/e of around 14 at 720p.

LET's mass

Including convertible stock, the company is now capitalised at nearly £300m. High flyers tend to be relatively small, and get high on the investment of peanuts, relatively speaking. The fact that LET may have reached critical mass, as a developer/trader will leave its fans wondering what is next on the agenda.

Douglas King retires

DOUGLAS KING retired as senior partner of King and Company this week after more than 40 years with the firm, and 24 years at the helm.

The close family connection will continue through his son, Malcolm, who will be senior partner jointly with Colin Marsden.

For a correct, and gentlemanly person, Mr King has displayed a remarkably hard business and intellectual edge in his views on industrial property, the firm's great speciality area.

In 1985, as occupier demand for industrial property improved, he said that the continued existence of factories and warehouses which had outlived their usefulness was not only choking the industrial market, but strangling the UK's economic recovery and resulting in inefficient land use.

Mr King is to remain as a consultant to the firm.

● Still with the agents, Debenham, Tewson and Chinnocks is to incorporate its practice and trade as a private limited company, the partners of the firm becoming directors, and shareholders.

The partners have elected a board of management, with Mr Richard Lay as chairman and Mr Anthony Turnbull as chief executive.

● In an unlinked announcement D. T. and C. pick out a slight recovery in the volume of pension fund investment in commercial property as the most encouraging result of this week's institutional investment figures for the fourth quarter of 1986.

Senior investment partner Derek Butler comments: "The upturn in pension fund net investment confirms the sustained and increasing interest in property evident among our own clients for some time now."

● Across the world, the National Land Agency of Japan said this week that land values in the Tokyo area hit an all time high in 1986, largely due to the sale of Government-owned property and "rampant" speculation by real estate investors.

● Closer to home, Lambert Smith & Partners say that this year in the Glasgow office market has begun with the highest level of activity yet recorded in the first quarter.

Some 191,000 sq ft of new and existing stock was let or sold in January/March, they say, against which they calculate that 1.12m sq ft of space is currently available.

● Hillier Parker, in their 1987 international property bulletin, highlight the continued growth of the Madrid office market.

Prime rents grew by 20 per cent last year, they say, while similar growth is forecast for 1987.

AUCTION

To be held on Wednesday 22nd April 1987 at 2.00 p.m. The London Auction Mart, 61/65 Great Queen Street, London WC2

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Company Notices

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PUBLIC LIMITED COMPANY

GRAND METROPOLITAN INTERNATIONAL FINANCE
PUBLIC LIMITED COMPANY

To: The holders of the:–

Grand Metropolitan Public Limited Company
(1) Luxembourg Francs 800,000,000
6¾% Bonds 1987
(2) U.S.$25,000,000
7¼% Bonds 1980/87

Grand Metropolitan International Finance Public Limited Company
£50,000,000
10⅛% Guaranteed Notes 1990

Copies of the Annual Report and Accounts of each of the above-mentioned companies are currently available at the address shown below, which is the registered office of both companies.

11-12 Hanover Square, London W1A 1DP.

COMMERZBANK
AKTIENGESELLSCHAFT

Notice is hereby given that this year's Annual General Meeting of Commerzbank AG will be held in Hamburg on May 22, 1987.

Agenda (abridged version)

1. To consider the Bank's established Annual Accounts, the Report of the Board of Managing Directors, the Report of its Supervisory Board, together with the Consolidated Annual Accounts and the Group Report, all for the year ended December 31, 1986.
2. To approve the payment of a dividend of DM9 per DM50 nominal share, thereby also approving a payment to the holders of the Bank's profit-sharing certificates of 9.75% of the latter's face value.
3. To approve the actions of the Board of Managing Directors during the financial year 1986.
4. To approve the actions of the Supervisory Board during the financial year 1986.
5. To authorize the Board of Managing Directors to issue up to DM200 million of new shares at any time up to April 30, 1992, with shareholders on principle to be granted subscription rights (the latter may, however, be excluded for fractional amounts of shares and in order to grant subscription rights to holders of warrants).
6. To authorize the Board of Managing Directors to issue up to DM300 million of bonds with warrants and, conditional upon this, to increase the share capital by up to DM100 million, both by April 30, 1992, with shareholders on principle to be granted subscription rights (the latter may, however, be excluded for fractional amounts of shares and in order to grant subscription rights to holders of warrants).
7. To appoint Treuarbeit as the auditors for the financial year 1987.

Shareholders in the United Kingdom who wish to attend and vote at the Annual General Meeting should inform either the London Branch of Commerzbank AG at 10/11 Austin Friars, London EC2P 2JD, or S.G. Warburg & Co. Ltd., 1 Finsbury Avenue, London EC2M 2PA, who will make the necessary arrangements. Such notice should be given by May 6, 1987.

Copies of the German version of Commerzbank's 1986 Annual Report will be available shortly from both Commerzbank and S.G. Warburg & Co. Ltd. The English version is currently being prepared.

3rd April, 1987 COMMERZBANK AKTIENGESELLSCHAFT

ELDERS (U.K.) PLC
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5% Subordinated Convertible Bonds due 1997

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ELDERS IXL LIMITED

NOTICE IS HEREBY GIVEN that following a one for three rights issue of Ordinary Shares by Elders IXL Limited on 6th March, 1987 the conversion price for each of the conversion bonds is to be adjusted to Australian dollars 5.10 per Ordinary Share with effect from 6th March, 1987.
April 3, 1987.

ELDERS (U.K.) PLC
£40,000,000
8% Subordinated Convertible Bonds due 1998 and
US$175,000,000
5¼% Subordinated Convertible Bonds due 1998

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ELDERS IXL LIMITED

NOTICE IS HEREBY GIVEN that following a one for three rights issue of Ordinary shares by Elders IXL Limited on 6th March, 1987 the conversion price of each of the conversion bonds is to be adjusted to Australian dollars 4.35 per Ordinary Share with effect from 6th March, 1987.
April 3, 1987.

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Total asset value of the order of DFL 35,000,000 (£10.55 million approximately). Debt ratio of the Company is of the order of 60%.

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Commercial Register of Brussels
No. 270194

NOTICE OF ORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ORDINARY GENERAL MEETING OF SHAREHOLDERS will be held at the Registered Office of the Company on Thursday, 23rd April 1987, at 3.00 pm to consider the following Agenda:

AGENDA

1. Report of the Board of Directors and of the Auditors on the Company's activities during the financial year 1986.
2. Balance Sheet, Profit and Loss Account and schedules for the financial year 1986 and Appropriation of Profits.
3. Discharge to be given to the Directors and Auditors.
4. Statutory appointments. Emoluments. Resignation of acting Auditors.

Shareholders wishing to attend or to be represented at the meeting must comply with Article 28 of the company's Bye-Laws.
Bearer shares may be deposited up to and including 15th April 1987 during business hours at the counters designated to receive them at the Registered Office of the company and:
In London at the
Banque Belge Limited
4 Bishopsgate
London EC2N 4AD
and the
Midland Bank PLC
International Division
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London EC2N 6AA
BY ORDER OF THE BOARD

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—Banque Internationale à Luxembourg
Boulevard Royal 2, Luxembourg
This payment represents the proceeds of the non-exercised free distribution rights.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 146TH ANNUAL GENERAL MEETING OF UNITED KINGDOM TEMPERANCE AND GENERAL PROVIDENT INSTITUTION will be held at CITY HALL, FISHERTON STREET, SALISBURY, WILTSHIRE, ON WEDNESDAY 29TH APRIL 1987, at 2.00 p.m. to transact the following business:

1. To receive and to consider the Report and Accounts for the year ended 31st December 1986
2. To re-elect as Directors of the Institution the following Directors, who retire by rotation in accordance with Rule 8.01:

   Sir Arthur Bryan
   Michael P Fox
   The Hon Richard M O Stanley

3. To elect the following Directors who have been appointed since the last Annual General Meeting in accordance with Rule 8.06:

   Ronald S Bignell
   The Rt Hon C Patrick F Jenkin MP

4. To re-appoint Messrs Deloitte Haskins & Sells as the auditors to the Institution and to authorise the Directors to fix their remuneration
5. As special business to consider Special Resolutions to alter certain of the Rules of the Institution. The principal changes to be proposed would:

   (a) enable the Institution to dispose of the whole or part of its business so that a transfer to Friends' Provident Life Office under the provisions of section 49 of the Insurance Companies Act 1982 at some future date would be possible;

   (b) provide for proxy voting at general meetings; and

   (c) permit a common board to deal with all matters affecting both the Institution and Friends' Provident Life Office

The terms of the special resolutions to be proposed, which set out the proposed alterations in full, can be inspected during normal business hours at the Institution's principal office at United Kingdom House, Castle Street, Salisbury, Wiltshire, SP1 3SH and will be available at the meeting.

By Order of the Board
B W SWEETLAND, Secretary
3rd April 1987

Members are entitled, on application to the Secretary, to receive without charge a copy of the Report and Accounts.

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FINANCIAL TIMES SURVEY

PROPERTY ALONG THE M4

Publication date: Friday April 24 1987
Copy date: Tuesday April 14 1987

This feature will analyse the achievements and failings of the commercial property market along this important stretch of motorway.

Locations:
The East Airport City — The West, Bristol and South Wales
The Thames Valley
Town & Country:
The Office Market — The Industrial Market
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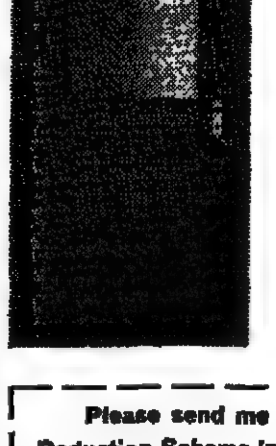

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FINANCIAL TIMES
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Telephone: 01-248 8000

Friday April 3 1987

Exchange rate frankness

FOREIGN investors must be puzzled by British monetary and exchange rate policy. On Monday, the Chancellor left the Treasury and Civil Service committee in no doubt that the UK is operating some form of target zone for sterling. But he refused to specify the upper and lower limits or even the mid-point. On Wednesday, he appeared to have summoned up more courage, telling the National Economic Development Council that he was aiming to keep the D-Mark at around 2.90 to the pound and the dollar at 1.60. The latest news, however, is that the NEDC remarks had been misinterpreted. All details of the shadowy zone are once again top secret.

Suppose, just for the sake of argument, that Mr Lawson really had decided to declare tomorrow, on the record, that DM 2.90 and \$1.60 were the mid-points of target zones for the pound. Would the consequences really be so disastrous? Would markets go beserk following the release of such highly confidential information?

Helpful anchor

It seems unlikely. Arguments in favour of secrecy are usually weaker than they appear. Why should frankness about the centre-points of currency target zones compromise Bank of England manoeuvres in foreign exchange markets? It would not be the same as specifying explicit target bands: the upper and lower limits would remain unknown and so the speculators would have nothing at which to tilt. It is pretty hard to test a central rate if you do not know where the extremities of a zone lie or even for how long the central rate will be deemed appropriate.

Indeed, it is possible that explicit targets for sterling would help reduce market volatility in the run up to the general election. The pound is not the dollar: it is not as though there is a huge amount of controversy about its appropriate value. The rates mentioned by Mr Lawson on Wednesday are widely held to be sensible in present circumstances. There is therefore every reason to suppose that they could serve as a helpful anchor both for interest rate decisions on the part of the authorities and for private agents throughout the economy.

Open system

Greater frankness about targets at this stage would also help prepare the psychological ground—not least in Great George Street—for full membership of the European Monetary System after the election. It is hard to see officials, who presently suffer agonies when any details about exchange rate policy leak out, easily coming to terms with an open system. Yet openness is essential if companies and individuals are to know where they stand in a world where monetary targetry has fallen into disrepute.

The irony about Mr Lawson's position is that he is operating from a position of strength. There is very little reason to fear speculative attacks on the pound—the only, and rather phoney, justification from the point of view of jittery market participants would be a sudden revival of Labour's fortunes in the polls. But that hardly looks likely in the aftermath of Mrs Thatcher's Moscow visit. Politics apart, things still look bright: public borrowing is exceptionally low, foreign exchange reserves have recently surged and interest rates remain rlatively high.

Market impact

Greater openness about sterling exchange rate targets would also be a way of further bolstering the market impact of the Paris accord between leading finance ministers. It appears that the ministers agreed to a series of overlapping target zones for the major currencies. But if the target zone approach is ever to bear fruit, somebody must start to pull at the veils of secrecy. Mr Lawson is in a better position to be bold than some of his colleagues.

The high cost of tit-for-tat

THE BRITISH Cabinet's wrath at Japan's reluctance to open up its telecommunications market is altogether understandable. So, too, is the anger of Cable & Wireless, the British company that risks being squeezed out of a significant role in Japan's second international telecommunications franchise as a resul of bureaucratic manoeuvring in Tokyo. It does not follow, however, that threats of retaliation via the reciprocity clauses of the Financial Services Act are the most effective way to resolve the argument. Their effect would, at the very least, be double edged.

The argument for such pressure rests on the belief that the Japanese have consistently failed to respond to more reasonable behaviour. There is some truth in this, if not to the extent that Mr Alan Clark, Trade Minister, would have us believe. The problem is that the game of threat and counter threat in trade relations has a way of getting out of hand. And it is questionable whether Britain really stands to gain very much from sabre rattling.

Limited arsenal

For a start the European Community is responsible for the greater part of Britain's trade policy. It follows that the main avenue for applying pressure to the Japanese lies through the community. While Sir Geoffrey Howe, the Foreign Secretary, will be holding talks with his EEC colleagues this weekend, it is unlikely that such multilateral deliberations will lead to the kind of instant aggressive action that economic nationalists in the cabinet would like to see—and which would, incidentally, deprive British and other European consumers of some degree of freedom.

The Government is thus forcer back on to a limited arsenal of weapons, most notably those that relate to inward investment and to services (which are not yet subject to the provisions of the Gatt). Neither area lends tiself to very credible threats. In the case of inward investment it seems wholly implausible that ministers would invite Nissan to pack its bags and take its car plant in the North-East back to Japan, however much the unions in the rest of the British car industry might like to see that. Faute de mieux they have turned to financial services.

There is unquestionably an imbalance in the treatment of British and Japanese financial firms in their respective territories. London has liberalised its markets and plays host to 29 Japanese banks, as well as offering ready access to the big Japanese securities houses and insurance companies. In contrast, only five British banks have won banking licences in Tokyo. After long and tortuous negotiation eight British firms have obtained licences for securities branches, while only one, S. G. Warburg, has been allowed into the Tokyo Stock Exchange.

Greater latitude

The Government has now given itself greater latitude to invoke the reciprocity clauses of the Financial Services Act by laying a commencement order in the Commons yesterday. While this relates only to the banking and insurance sectors for technical reasons to do with the delegation of powers under the act to the Securities and Investments Board, there is little doubt that the Japanese securities firms could ultimately be brought into the net. Yet if the powers were to be invoked they would probably deal a bigger blow to London as an international financial centre than to the Japanese, who would be eagerly welcomed elsewhere in the European time zone.

Crude bilateralism

Japan would be unwise to ignore the strong nationalistic tide that is now running in the British Cabinet. By the same token the British Government should maintain a greater sense of perspective than trade ministers have exhibited to date. Sterling has enjoyed a very substantial devaluation against the yen over the past two years. There has been genuine progress, however slow, on financial services. And the problems that the Japanese now face in adjusting to a less competitive exchange rate should not be under-estimated. The Cable & Wireless issue scarcely justifies the retreat into crude bilateralism that has been apparent over the past week. When Mr Michael Howard, Consumer Affairs Minister, goes to Tokyo on Saturaday he should leaven toughness with a sense of proportion.

WEST GERMANY AND THE EEC

The big chill is setting in

By Quentin Peel in Brussels

IN THE worthy and wordy celebrations which last week marked the 30th anniversary of the signing of the Treaty of Rome—the founding constitution of the EEC—a disturbing note crept in.

Tucked away in the conclusions of a sweeping survey of the hopes and fears of European citizens for the year 2000 — full of thoughts of a United States of Europe, common defence policies, and European television stations — was a pointer to a trend which is causing grave concern in Brussels and many other Community capitals.

The West Germans, long amongst the most dedicated public supporters of European integration in general, and Western European co-operation in particular, have become disillusioned.

When questioned on their vision of the future, and the likelihood of achieving concrete results by the end of the century, such as a common currency, common security and environmental policies, real freedom of movement, or simply the ability to speak more languages, the Germans lagged well down the list of those giving positive replies. Many did not believe such things would come about at all.

Most optimistic were the French, followed by others like the Italians and Luxembourgers. Even the British and the Greeks, both regarded as thoroughly unconvinced of the need for greater European integration, came out above West Germany.

The opinion poll underlined a trend which has long been apparent in Brussels, and sorely feared in Paris, but which has not really percolated through the collective consciousness further field. There is a mixture of exasperation, disillusion, incoherence and plain lack of concern in Bonn about the affairs and progress of the EEC.

The worry goes deeper. Not only in the European Commission, but also down the road at the headquarters of the North Atlantic Treaty Organisation (Nato), German weariness with Western Europe is seen to coincide with the new openness of Mr Mikhail Gorbachev and his regime in the Soviet Union.

West German reactions to Mr Gorbachev's willingness to accept the removal of all medium-range nuclear missiles from Europe have been noticeably warmer than those in Paris and London, and less inclined to hedge the process around with strict conditions.

Old French fears about the rise of a "nationalist neutrality" in Bonn are once again being openly expressed—and not clearly rebutted by the West German government.

Yesterday the European Commission took the unprecedented step of meeting the German Government in Bonn as if to clear the air. It was a long-standing invitation from Chancellor Helmut Kohl, issued with the intention of giving the 17 Commissioners a better first-hand impression of the sort of concerns his Ministers are expressing. It could scarcely have come at a more appropriate, or sensitive moment.

At the heart of West Germany's mixed feelings over the EEC is the dichotomy between its desire to preserve the Common Agricultural Policy (CAP) virtually intact, in spite of its huge burden upon the budget, and its determination to keep overall Community spending in check.

The annual farm price debate was launched this week in Brussels, and Mr Ignaz Kiechle, the West German Minister, made it clear he intends it to be one of the bloodiest campaigns yet. He rejected plans to freeze or modestly cut prices for the crops most chronically in surplus as "completely unacceptable."

As any German official will admit, Mr Kiechle's attitude scarcely tallies with that of his colleague Mr Gerhard Stoltenberg, the Minister of Finance, who is equally determined to keep EEC spending under control. But both positions are sanctioned by Chancellor Kohl.

That obvious incoherence is compounded by German attitudes on a whole host of other issues, sometimes illogical, sometimes simply bloody-minded to a degree not seen before in negotiations in Brussels. The British, the Danes or the Greeks are expected to be that difficult—not the Germans.

In the area of competition policy, the Government is locked in dispute with the Commission over what Brussels believes are unjustified regional subsidies to industry.

Despite vocal support from successive German governments for a European economic and monetary union, when it comes to reinforcing the European Monetary System (EMS) and promoting the use of the European currency unit (Ecu), the Bundesbank is one of the most reluctant.

On monetary policy, so on environmental policy, food standards and the like, West German Ministers are convinced that they have the highest standards in the Community, and they are ever less willing to compromise in the interests of some greater "European" good.

This is not to say that the German Government has suddenly become the most nationalistic of all — Denmark, Greece, the UK and now very probably Spain seem set collectively to keep that crown. It is rather that Bonn is no longer what it used to be.

There is a growing divorce between German rhetoric and substance on EEC issues—and German negotiators can simply no longer be relied upon to thump the table loudly, only to give up in the end.

The watershed was Mr Kiechle's move in 1985 to veto a cut in cereals prices. It was the first time Bonn had ever used the so-called Luxembourg compromise to block a Community decision, and suggested that national interests had become paramount.

The cost of the CAP, and the desire of many member states to divert some of the money it absorbs into areas like research, or regional and social spending, is at the heart of the current debate on future financing of the EEC. That was the main subject on yesterday's Commission agenda.

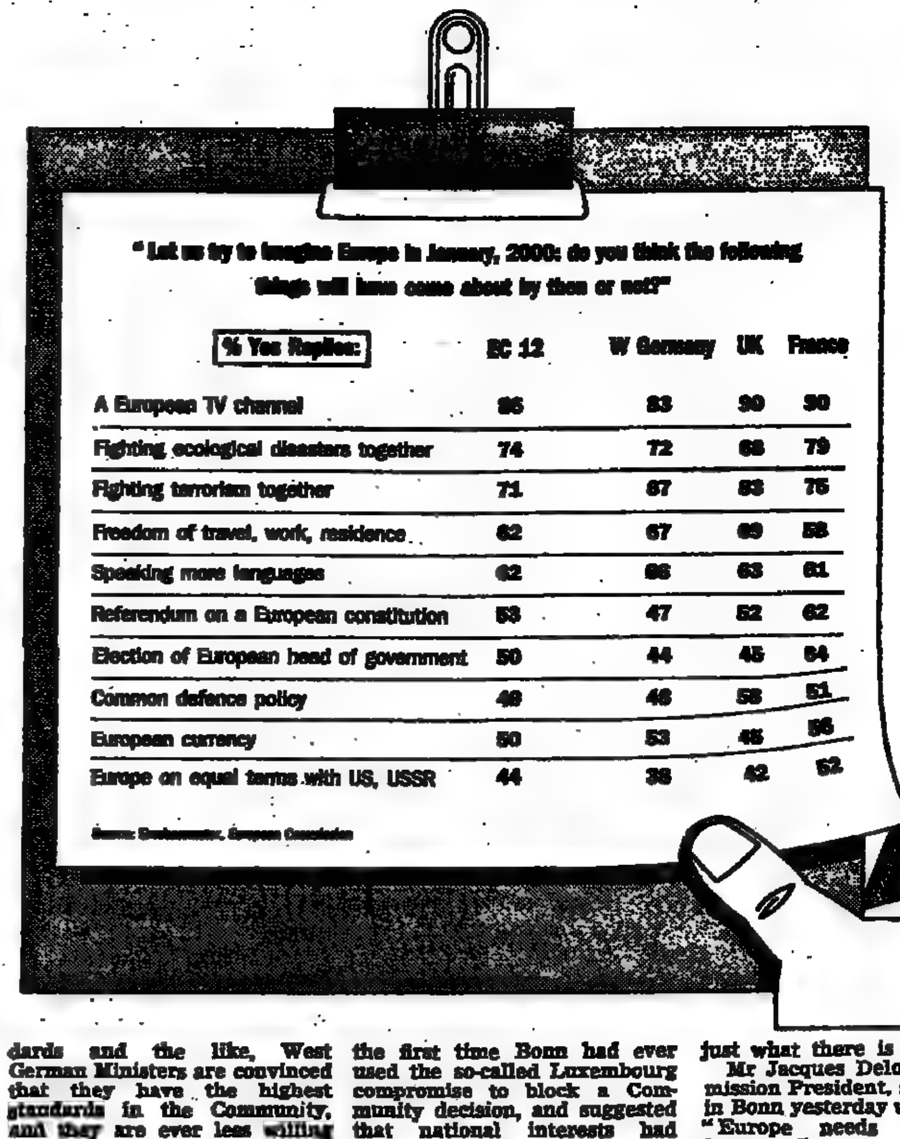
Brussels regards it as a crucial debate for the healthy development of the Community, for the completion of a single frontier-free market by 1992, and for the revival of economic growth in Western Europe. To achieve any of those ambitions, a clear German attitude is essential.

But a clear policy is currently just what there is not.

Mr Jacques Delors, the Commission President, said as much in Bonn yesterday with his plea: "Europe needs a dynamic Germany."

Just as West Germany is in the front line in East-West relations, so it is in the European economic front line. But in neither case does Bonn show willingness to take the lead.

"We have got to give the West Germans a real challenge, to galvanise them into action," according to one EEC Commissioner, speaking off the record. "There are only two possibilities: to challenge them to exercise real economic leadership in Europe, in a truly integrated economic union; or to share leadership in European nuclear defence with France and Britain. Otherwise there is a real danger of them turning away."



"Let us try to imagine Europe in January, 2000: do you think the following things will have come about by then or not?"

% Yes Replies:	EC 12	W Germany	UK	France
A European TV channel	86	83	90	90
Fighting ecological disasters together	74	72	68	79
Fighting terrorism together	71	67	83	75
Freedom of travel, work, residence	62	67	69	58
Speaking more languages	62	66	63	61
Referendum on a European constitution	53	47	52	62
Election of European head of government	50	44	45	64
Common defence policy	49	46	58	51
European currency	50	53	45	56
Europe on equal terms with US, USSR	44	38	42	52

Source: Eurobarometer, European Commission

BERLIN, NOT BRUSSELS EXERTS THE STRONGEST FASCINATION

WHEN EEC national Olympic committees assembled in Brussels last week to discuss the Commission's ideas for promoting Community togetherness at the Olympic games, West Germany was the only country which did not bother to turn up.

It is a small, but symbolic example of how the Federal Republic's attitude towards the Community has become a great deal less than olympian.

West German farmers' almost daily demonstations against Community agricultural policies —some 20,000 protested in the capital on Wednesday, the first day of the Commission's meeting there—as well as Bonn's signally lacklustre participation in last week's Treaty of Rome celebrations, are symptoms of the same malaise.

In earlier decades, the EEC —both as an ideal and as a day-to-day reality—was a significant prop for the Federal Republic's nascent post-war democracy.

But with an increase both in general economic problems and in West Germany's own self-confidence, the mere act of taking part in the Community— and paying for it as the largest net contributor—no longer meets the country's definition of what it wants from Europe.

To German eyes, the EEC appears ever more a source not of hope for the future, but of present frustration—and of interference with the workings of the country's Federal system.

What the country does want from Europe is not at all clear.

German discontent, coupled with lack of a clear vision on how to right matters, has meant that Bonn is using its economic weight to block, rather than open up new directions. Above all, Germany is fighting Commission attempts to cut farm surpluses.

A more hard-headed German approach to the Community has also coincided with the changing wind in East-West relations heralded by Mr Mikhail Gorbachev's reform moves and a perceived weakening of the predominant US role in the Western alliance.

Suspicions, most often entertained in the US, about a German drift into neutralism are probably exaggerated. But one senior Bonn Foreign Ministry official comments that West Germans need firm evidence— which they are not always getting—that the Community is working in their favour if they are to be prevented from turning their gaze eastwards.

The idea of some sort of cultural and political rapprochement with East Germany continues to exert a strong West Germans, on both the Left and the Right, who have never accepted as final the post-war cleavage of Europe.

The new eastwards-looking mood is only indirectly linked to the new form of pan-German nationalism propagated by Mr Helmut Kohl, the Conservative Chancellor, who was especially keen to talk of the future of the "Vaterland" — meaning a reconstituted German nation — before January's general elections.

With Berlin rather than Brussels now exerting the strongest fascination for the German body politic, the Commission's visit to Bonn has been overshadowed by two other events heralding movement in West Germany's relations with Eastern neighbours.

On Wednesday, Mr Guenter Mittag, the top member of the East German politburo, held talks with German officials in Bonn, while Mr Alexei Antonov, the deputy Soviet Prime Minister, began a visit yesterday. Both ties with Moscow are on the mend after strains at the end of last year.

However, the depth of German disillusionment with the EEC should not be overdone. Latest EEC opinion polls continue to show high German attachment to the principle of European unity—though the percentage of Germans saying they feel their nation has not benefited from EEC adhesion is now the highest of any country except Britain and Spain.

With 50.8 per cent of German exports last year going to the EEC, the economic advantages of membership are undeniable.

However, European attacks on Daimler Benz over industrial development subsidies, on chemical giant Hoechst and on Lufthansa over alleged price fixing, as well as the recent European Court ruling opening German borders to foreign beers have been largely negatively received.

The EEC's attempts to exert greater influence over areas like culture, the environment and education which are all the affairs of the Laender (states) have also led to resentment.

At least until the string of Laender elections taking place over the next six months is out of the way, Bonn's policies on the EEC will be governed by the need to conserve favour in the Laender, not to lay out new paths for Europe. This could make the EEC road map even more tangled when West Germany takes over the six-monthly Community presidency at the start of 1988.

David Marsh in Bonn

Men and Matters

Cash prize registered

An air of bookish scepticism hung over yesterday's announcement by NCR (National Cash Registers) that it is to sponsor an award for non-fiction.

The amount of cash certainly registered—£25,000 for the winning title, promotion for the book and its publisher, and a consoling £1,500 thrown in for each of three other shortlisted authors. All that will make it by far the most valuable UK book prize, almost as much as the Whitbread Award (£17,000) and the Booker Prize (£15,000) together.

But whether non-fiction is the "neglected area" described by NCR's UK chairman and managing director, Rex Fleet, must be in doubt. Nearly 90 per cent of all titles published in the UK last year were non-fiction. More than 30 of the 150 or so literary prizes administered by Book Trust are open to non-fiction titles in addition to awards in specialist categories.

The NCR award will be for books on the arts, autobiography, biography, current affairs, history, popular science, sport or travel, Fleet said. Business books and books in the computer/high tech category, NCR's business for the past 103 years, will also be eligible.

Jeremy Isaacs, chief executive of Channel 4, who will be chairman of the judges for the first award next year, foresees no difficulty in choosing between non-fiction categories as well as degrees of literary excellence. "I wouldn't exclude a cookery book that was literature," he said. But he added that "any panel with me on it is not going to be a pre-eminently literary panel."

"Do you want to sell the BT shares under the same names that you bought them sir?"

Whitehall speak

It is good to see merit rewarded. Colleen Harris, newly appointed as one of Mrs Thatcher's press officers, may be the first black person to work in No 10, but she is also one of the best communicators in the Whitehall press machine.

Harris, 31, born in Britain of Guyanese parents, has moved far and fast since she started work as a clerk in the British Museum in 1978. Even so, she was surprised to be summoned by Bernard Ingham, the Downing Street press supremo, for an interview a month ago.

She is not sure which of the two domestic slots—economic or social—she will be covering at No 10. But she suspects it will be the social side, the traditional patch for the latest recruit, even though she has spent the last two years at the Department of Trade and Industry.

Harris, who was busy yesterday arranging briefings on the computer software industry, is very pleased at the move, though a bit ambivalent about the attention on her "blackness." One journalist asked her on the phone how black she really was. "All over," she replied.

In her case, there is no question of any pro-minority bias in the appointment. At the DTI, a department notoriously unresponsive even by Whitehall standards, she was unusual in her grasp of the issues and her openness.

Game plan

If you honed your property development skills on the Monopoly board, you might like to try your hand at running a business with Enterprise, a new board game which was launched yesterday.

Each Enterprise player starts out with a factory and other assets and has to deliver consignments of a product called "stox" to customers around the board. The winner is the person whose company is worth the most by the time all the customers have been supplied.

Though, like Monopoly, the course of the game is influenced by the throw of the dice and "happening" cards, the element of luck is surprisingly small. Each "turn" requires the player to make a number of business decisions and even the throw of the dice is open to interpretation.

The purpose of the game, which is sponsored by Shell UK and Lloyds Bank, is to teach business skills. The players must take decisions on investments, management, production, sales and distribution. If they get it wrong their company can go bust.

Enterprise was developed by Ken Young, head of the department of management studies at Watford College, and is intended primarily for use in secondary and middle schools and colleges of further education.

"I got the idea when I discovered that the business games available to teachers were generally too complex for all but advanced management students," says Young. "The board game format is familiar to pupils."

Tin tailors

Conventional wisdom on factory robots is that you give them the chores that are too dirty, too dangerous, or too downright boring for humans to want to perform.

But will industrial workers be so happy with the next robot generation which will be tackling tasks now regarded as the preserve of the skilled?

The Science and Engineering Research Council is funding the development of several skilled robots as part of a programme devoted to applications of computers to manufacturing engineering. This year it will spend over £7m.

Royal Brierley Crystal is backing a £61,000 research project at Nottingham university to teach a robot to engrave cut glass.

And Durham university is working with Lyle and Scott to create a robot tailor that can assemble and sew garments from pieces of knitted or woven fabric.

Share a bath

Jimmy Savile, the president of Hands Across Britain, could not attend a press conference yesterday to promote its plans for a national demonstration against unemployment on May 3.

But it was hoped his views could be broadcast to the assembled journalists through a telephone line connected to loudspeakers.

Molly Meacher, the campaign's co-ordinator, duly dialled through to Stoke Mandeville hospital, where the television personality works part-time as a porter, and got through to someone called Janet.

"Everyone can hear what we are saying," trilled a proud Miss Meacher. "Oh, how awful, Jimmy is in the bath," replied Janet.

Observer

Superconductivity

A ceramic goldmine at the electronics frontier

By David Fishlock

SCIENTISTS certainly lost their cool on the last day of winter when 2,000 converged on the New York Hilton for what has been called "the Woodstock of physics"—a reference to a seminal pop festival of the 1960s. They roared appreciation of each new disclosure and exhibit at a meeting which lasted from evening until dawn.

The occasion sounds sober enough: the annual meeting of the American Physical Society on condensed-matter physics. The session was a last-minute idea to squeeze in a forum for new discoveries in superconduction. This is the phenomenon whereby materials lose their resistance to electricity, so that it flows without friction and therefore without loss. Superconduction has an uncanny kinship with perpetual motion, which the laws of physics say cannot be.

To quote a senior IBM research manager, the occasion proved "an eye-opener in the sociology of science." It offered a rare glimpse inside the highly competitive world at the frontiers of science and demonstrated the sheer intellectual excitement which can seize its practitioners when someone come up with a new lead, a genuine breakthrough in thinking.

In fact, the breakthrough occurred a year earlier, at Ruschlikon in the hills near Zurich, where IBM maintains the smallest of its three scientific centres, which spend about £250m a year. It was there that Dr J. Georg Bednorz and Dr K. Alex Mueller discovered ceramics that were superconducting; ceramics are normally insulators, super-resisting, so to speak.

Moreover, these ceramics were superconducting at a much higher temperature than any substance previously tested and maintained this property in the presence of a powerful magnetic field.

Since 1911, when the Dutch Nobel laureate, Heike Kamerlingh Onnes discovered superconduction when he cooled mercury close to absolute zero —0 deg Kelvin (—273 deg C)—using liquid helium, physicists have been searching mainly for metals or semiconductors which demonstrate superconduction. In the 1970s after theoretical predictions that some polymers might prove superconducting, they also began to explore organic chemistry.

Almost no one, however, was seeking superconduction in ceramics. It seemed too much of a contradiction; it would in any case be hard to turn a ceramic into an engineering material.

In the event, says Dr Alex Malozemoff, the scientist picked to co-ordinate the reinvigorated research at three IBM laboratories at Zurich, New York and San Jose, California, "nature could hardly have chosen a more fascinating group of materials." Concludes Dr Malozemoff, "it's a goldmine."

Some of science's greatest discoveries have been complete accidents, he argues. The Swiss discovery was one such, born of long interest in the magnetic idiosyncrasies of metallic oxides. The two scientists found their inspiration in French scientific literature of the early 1980s dealing with a man-made family of ceramics called perovskites.

Perovskites have a structure similar to the multi-layer sandwiches of thin electronic films currently being explored as a potential new generation of semiconductors to follow the silicon chip. Sadly for the French, they failed to test them for superconduction.

The Swiss scientists struck gold in January last year with a ceramic composed of barium, lanthanum, copper and oxygen. By April they were ready to publish details of superconduction at 35 deg K, substantially higher than anything before. Their news appeared in the German scientific paper Zeitschrift fur Physik B last September, formally establishing their claim to be first.

But superconduction has a history of charlatans, says Dr Paul Grant, who manages research on magnetism at IBM's Almaden research centre near San Jose. The Swiss were wary themselves, wanting to make more measurements before claiming a high-temperature superconductor too loudly. The scale of their research was modest compared with the much bigger US research centres of IBM and they had more to lose by making claims they could not substantiate. Even within IBM's sprawling research division, the news was slow to circulate.

Dr Grant admits that he too was sceptical, not least because his closest collaborator, Dr Richard Greene, was having trouble reproducing the Swiss results in the New York laboratory. Dr Greene is an international authority on organic superconductors, although these have proved costly, toxic materials so far.

Paul Grant finally became convinced after a visit to Zurich late last year. By then word had reached several university groups—in Tokyo, Peking, and Houston, Texas—and AT&T Bell Laboratories. All were at the forefront of superconductor research. All reproduced the Swiss results and pushed on to still higher temperature superconductors with their own variants of the perovskites. The highest-reported so far is about 98 deg K, compared with 23.3 deg K for the highest metallic superconductor, and only 8 deg K for the highest organic superconductor.

Dr Edward Engler, manager of materials science at IBM's Almaden research centre, San Jose, California, cools a ceramic superconductor in liquid nitrogen

Much of the excitement can be explained by the fact that superconduction has been stuck for more than a decade at a temperature which is not high enough for widespread application. It can be harnessed successfully for high-field or very powerful magnets, of the kind that have made Oxford Instruments world famous. But the expensive cryogenic plumbing needed to keep their superconductors at near-zero temperature with liquid helium means that such magnets are priced out of most uses, except for the research laboratory and medical scanners. There they are irreplaceable.

In 1983, IBM abandoned research to develop a superconducting computer. Dr John Armstrong, director of the three centres comprising IBM's 3,200-staff research division, was one of the management team which took the decision. He is convinced that he could have completed a demonstration superconducting computer, based on a British Nobel-prizewinning invention called the Josephson junction. It would have been faster and run at lower cost than today's machines, he says.

But the ubiquitous silicon chip, in which IBM also has a major research effort, was stretching much further and faster than anyone expected when the superconducting computer project began. And the elements of the superconducting computer were proving more troublesome and performing less well than had been hoped. Dr Armstrong says that despite heroic efforts by his scientists, the final judgment was that the superconducting computer was not going to beat the silicon chip.

Does the new discovery reverse that decision? Not in the sense that it will rejuvenate the Josephson junction, Dr Armstrong says. The problems had almost nothing to do with temperature. "Nevertheless, I shall be disappointed if the impact on IBM isn't much more important and dramatic than the return of Josephson."

The clue to his optimism lies in the imperatives which pushed IBM towards superconduction in the first place. A big one was the need to reduce the amount of power dissipated as computers grow ever more powerful. Electrical resistance and the consequent dangers of chips overheating threaten to be a major technological barrier to computer development.

After some initial hiccups it has proved easy to make high-temperature superconductors as small coal-like fragments. Paul Grant demonstrates convincingly that any well-equipped school laboratory should be able to make them for perhaps £1. Although they contain rare-earth elements, these substances are neither as rare nor as costly as is often implied.

Ceramics are unpromising materials in terms of wire for conventional electrical windings, but ways were found to turn the older brittle metallic superconductors into tapes which could be wound.

Toshiba, the Japanese electronics group, claimed yesterday that it had made fine superconducting wires only 0.6mm diameter from the same kind of ceramic.

Dr Osamu Horigami, chief research scientist, forecast another five years of research before the company would be winding superconducting machines.

Physicists at Bell Laboratories, IBM and elsewhere have gleefully been exhibiting their first attempt to deposit films of ceramic superconductors . At IBM's New York research ceramic superconductors. At begun to etch patterns to make the first primitive superconducting chips. If the inter-connections of megabit chips could be made superconducting, one of the biggest headaches of the microcircuit designers would be solved.

Public speculation about the new superconductors has tended to focus on the historical targets such as superconducting generators, motors and transmission cables, much smaller than current equipment and running free from energy losses. A favourite is the magnetically levitated train, in which a magnetic field provides a suspension virtually free from friction.

Dr John Hulm, director of research at Westinghouse Electric, which has been developing a prototype superconducting generator for the US electricity industry, expresses reservations about whether these ceramics will ever prove suitable for such machines. What seems much nearer reality is the possibility of superconducting electronics operating at the temperature of liquid nitrogen rather than liquid helium, at a big saving in running costs.

Lombard

Paying for motherhood

By Joe Rogaly

THE ECONOMIC consequences of women are immeasurable. Changes in their behaviour, and in the extent of their participation in the paid workforce, constitute one of the 20th century's several transformations in the nature of society whose effect on the generation and distribution of wealth are probably more fundamental than any particular government's economic policy. For example, the post-war baby boom is still a principal determinant of the levels of both unemployment and public expenditure in western Europe. By the time it has worked its way through it will have been a major force for half a century. The growth in the number of single mothers is of similar force, though as yet of lesser magnitude.

It is for such reasons that the study of both demographics and those colourful magazines that tell you whether it is all right to have babies without getting married is likely to be of greater value as a guide to economic policy than the study of economics. In the end, motherhood is more powerful than monetarism.

New studies of contemporary motherhood are therefore worth noting. One such has been carried out by Heather Joshi, Senior Research Fellow of the Centre for Population Studies at the London School of Hygiene and Tropical Medicine. Together with Marie-Louise Newell, Ms Joshi has been analysing the economic activity of a sample of some 4,000 women and men born in 1946. Their study has concentrated on the financial cost of being either a single woman, a wife, or a mother.

As might be expected, it turns out that none of these conditions is as good for an individual's lifetime earnings as simply being a man. This is established by analysing out all the differentials that are not directly related to gender, such as qualifications, experience, or type of job. What is left, the "unexplained gap" in the figures produced by regression analyses, can be said to be the consequence of sex discrimination.

The Joshi-Newell papers are highly technical and do not rant about sexism. My own view is that gender discrimination, which undoubtedly exists, is more usefully described as a social phenomenon than as a series of conscious acts by men. Thus the Equal Pay Act, which was designed to counter discrimination, is shown in the papers to have reduced the difference in pay between men and women in 1977, but that is regarded as a once-for-all improvement.

"I wish to argue," said Ms Joshi in a talk last week, "that economic autonomy is still a long way off for most British women." Replacing the presumption of financial dependence upon husbands with one of individual self-sufficiency would be justified if men and women had equivalent earning power. It was not only a matter of differences in pay, but unequal treatment in unpaid work—the continued imbalance in the areas of housework and child care. Even where both husband and wife have full-time jobs it seems that the brunt of the housekeeping falls upon the woman.

What does she want done about it? For one thing, that account be taken of this social phenomenon when framing legislation on divorce, tax or pensions. Thus under the current version of state earnings-related pensions there is a "home responsibility" clause protecting pension rights of women who are not earning enough to pay contributions, but this does not allow for "the fact that the low pay of some who are contributing reflects their domestic responsibilities as well."

One lesson of such studies is that the women's movement is likely to persist, particularly in the drive for equality of earnings. Anyone with daughters cannot fail to sympathise with this: why should they grow up to depend upon some perfectly ghastly fellow? But the economic consequences will be heavy. The labour force has been heavily swollen these past 40 years by the increase in female participation in it. If they achieve genuine equality it will be as earth shattering as another baby-boom.

Letters to the Editor

Not party political

From the General Secretary of Nalgo

Sir,—The FT's labour reporting is generally so good that I hesitate to complain about an isolated statement in David Brindle's report (April 1) on Nalgo's Make People Matter campaign. But it has now been made twice in your columns and must therefore be refuted.

Nalgo does not "maintain that the campaign is non-political." Of course it is political. What we maintain is that it is non-party political. It may be convenient for some politicians to pretend they do not understand the difference, but your readers will understand and the correct terminology is therefore important.

John Daly.
National and Local Government Officers Association,
1 Mabledon Place, WC1.

Supply and demand

From Mr H. Rebhan

Sir,—Perhaps because it is based in full-employment Switzerland, GATT has missed the main reason why trade in manufactured goods is declining and last year was the lowest since the 1950s (Financial Times, March 27), and that is that there are fewer and fewer wage earners able to buy what the world produces.

Seventeen million unemployed in West Europe alone represent a depressive effect on world trade equal to, if not greater than, the currency problems upon which GATT reports. The decrease in American purchasing power by the elimination of well-paid manufacturing jobs and their replacement by low-paid service jobs will do as much, if not more, to diminish the US's capacity to import manufactured goods as the dollar's decline.

Watch as unemployment mounts in Japan and see how the hopes that Japan will absorb other countries' manufactured goods fade into thin air.

New technology offers us a future of factories without workers, banks without tellers, shopping without visiting stores. But as we eliminate paid human labour in manufacturing and increasingly in the service sector, who will buy the goods and services produced?

Herman Rebhan,
General Secretary
International Metalworkers' Federation,
Route des Acacias,
Geneva.

Local authority purchasing

From Mr P. Rowe

Sir,—Andrew Taylor's article (March 27), "Call for controls on council purchasing," might have given the impression that every local authority has poor purchasing and supply management. This is not the case. Indeed the Audit Commission in 1984 found that the purchasing structures and practices of the more forward looking authorities were the equal of the best in the private sector.

It is true, however, that in far too many councils purchasing and supply is a neglected discipline. All too frequently the work is divided between different departments or left to individuals who have not had the proper professional training. This is particularly surprising when, in recent years, many of these same authorities have had to take difficult decisions about their budgets. The introduction of professional purchasing management can bring dramatic benefits and give rise to policy options which might not otherwise have been available. The recent Audit Commission report clearly recognises this by laying down firm guide-lines for the local authorities which have lagged behind. There can be no excuse if they do not now act on those guide-lines.

P. A. Rowe
Institute of Purchasing and Supply, Easton House,
Stamford, Lincs.

Dividing oil resources

From Mr S. Papasotiriou

Sir,—Mr Jurgut Ozal, Turkey's Prime Minister, in an interview broadcast by the BBC on March 28, mentioned the following reasons for denying the continental shelf to the Aegean islands.

Some Greek islands are only two or three miles from the Turkish coast and a few hundred miles from the Greek mainland. Turkey has a population of 52m, which will reach 70m by the turn of the century. The Greek population is only nine or 10m. Resources in the Aegean should be fairly divided between the two nations.

If such an attitude spread among other big nations, the world would be a very unsafe place for small countries.

Sotirios Papasotiriou.
Pinewood Cottage,
1, Brock Way,
Virginia Water, Surrey.

Israel and S Africa

From Mr E. Manor

Sir,—I refer to the article "Israel explains arms sanctions to Pretoria" (March 20) and would like to clarify that Mr Burg's visit to South Africa had nothing to do with the Cabinet's decision of March 18 concerning Israel's relations with South Africa.

Mr Burg has gone to South Africa to visit the Jewish community there and will have no meetings whatsoever with South African officials.

Eviatar Manor.
(Counsellor for Press),
Embassy of Israel,
2, Palace Green, W8.

Convenience of TSB shareholders

From Mr J. Gale

Sir, — As a TSB Group shareholder, I was astonished to see in the letter from the chairman enclosing the accounts, "because the TSB was founded in Scotland . . . we are holding the AGM in Glasgow." Is no regard being paid to the convenience of shareholders? It is very difficult to believe that Glasgow can possibly be the most conveinent place.

John H. Gale,
Little Orchard,
2 Broomfield Ride,
Oxshott,
Surrey.

Coal and the energy picture

From Councillor H. Salt

Sir,—Your editorial advice on how western economies can counter Opec's revival (March 24) was akin to an athlete's guide to the decathlon which omits to mention the pole vault. Detailed advice on the future energy picture, based on extremely sound judgment, completely devalued by the astonishing absence of any mention of that one enormous, safe, proven and economic fuel source—coal.

There is overwhelming evidence that there are more than sufficient coal reserves in the advanced economies to allow coal to make a substantial, long-term contribution to the forecasted growth in energy demand. This is particularly relevant to the UK — worldwide our reserves are only outmatched by those of the US, China and Russia.

Are the pro-nuclear blinkers so firmly in place that even the very word coal has become dirty?

H. Salt.
Chairman Coalfield Communities Campaign and Deputy Leader of Barnsley Council,
Barnsley Metropolitan Borough Council,
1 Pontefract Road, Barnsley

The private rented sector

From Miss I. Wagner

Sir,—The first part of Samuel Brittan's article on March 26 purported to have a scientific approach to stimulating the privately rented sector in England and Wales.

Unfortunately, Mr Brittan failed to grasp the *raison d'être* for this housing tenure: namely that some people actually want to rent property either from pure choice, or more generally, because they cannot afford home-ownership.

The concept of "lets into leases," with de-controlled rents for secondary letting, chooses to ignore that people simply want homes, not an ability to re-let.

The laudable aim of increasing housing mobility to liberate willing workers to "get on their bikes" would not be solved by the ability to re-let. Indeed, it is likely that such "secondary letting," free of rent restrictions, would be counter-productive.

The most striking example of amnesia on Mr Brittan's part was his recollection of the origins of rent control and the undesirable "secondary" effects on the economy and society as a whole.

De-control among those who cannot afford the true costs of home-ownership — repairs etc — would mean that either higher salaries would be demanded to absorb increased housing costs or a yet higher proportion of income would have to be spent on housing.

If higher salaries were demanded and received the marginal difference between the costs of home-ownership and renting would be eroded. A decline in the privately-rented housing sector could therefore be predicted — a far cry from the stimulus Mr Brittan supposedly supports.

Were a higher proportion of income to be spent on housing, it follows that less money would be available for consumer spending — including repairs. This would be of no benefit to the economy or to the fabric of the housing stock and would certainly be a contributory factor in achieving a "ghetto status" for those left in the abyss of private landlordism.

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FINANCIAL TIMES

Friday April 3 1987

Bernard Simon and Steward Fleming preview the Reagan-Mulroney talks

Sombre summit in prospect

PRESIDENT Ronald Reagan and Mr Brian Mulroney, Canada's Prime Minister, were in high spirits two years ago when they appeared with their wives on a stage in Quebec City to sing "When Irish eyes are smiling."

The atmosphere will be more subdued when the two meet again in Ottawa this Sunday. In contrast with their St Patrick's Day celebration in early 1985, when both were riding high on election landslides a few months earlier, Mr Reagan and Mr Mulroney now need to restore some of the stature they have lost in the intervening two years.

For Mr Mulroney in particular, whose Progressive Conservative Party is at an all-time low in public esteem, the President's overnight visit is a chance to regain the initiative on some of the issues which dominate the Canadian political scene.

Near the top of the agenda will be a review of the 11-month-old talks between Ottawa and Washington on an historic free trade agreement between the world's two biggest trading partners. Mr Mulroney has become increasingly outspoken in his support for free trade as the momentum of the negotiations has gathered pace in recent months.

At the same time, the Canadian Prime Minister will want to use Mr Reagan's visit to show his critics that he can stand up to the Americans on the continuing points of friction between the two neighbours. These include a series of bilateral trade disputes (US corn and Canadian potash are the latest irritants), acid rain, territorial disputes in the Arctic, and US concern at Canada's modest defense spending.

Mr Mulroney's position is in many ways more difficult than the President's. Since the "Shamrock Summit," the Tories have slumped in public opinion polls from 54 per cent of decided voters to a paltry 34 per cent. For the first time in Canadian political history, the ruling party is trailing both main opposition groups.

Happier days: Mr Reagan and Mr Mulroney in Quebec City

President Reagan is no less troubled a chief executive, but while Mr Mulroney can hope that a positive outcome to the meeting will be a significant political plus, Mr Reagan must pitch his expectations much lower.

Certainly a state visit, even if it is only to America's northern neighbour, must be seen as a modest plus for the President. It is a continuation of the campaign which Mr Baker, the recently appointed White House Chief of Staff, has been masterminding to get the President out of the White House bunker into which he had retreated at the height of the Iran arms scandal and into public view as a functioning leader.

But the fact is that for most Americans US-Canadian relations in general are a yawn. The issues that the two are likely to address are not of national political significance in the US as they are in Canada. Even in Washington, Congress is preoccupied with broad trade legislation and the only bilateral trade relationship on the front burner is the deepening conflict with Japan.

Moreover, few expect that the two leaders will be able to do much more than reaffirm their commitment to negotiating a free trade agreement. There are too many outstanding issues still to be resolved, trade experts in Washington say, for the two leaders to be able to announce the success of the trade negotiations.

These include Canadian concerns about the reliability of an American commitment to a free trade agreement, diverging views on whether US anti-dumping and countervailing duty trade laws are or are not in essence "protectionist" and questions about dispute resolution procedures.

On the personal political front, though, the American leader, despite his troubles, has great personality and communications skills. In contrast, Mr Mulroney's personal credibility is widely perceived to be one of the Tory Government's weakest links.

The Prime Minister's larger-than-life promises and his fondness for hyperbole appear to have left a deeper mark on Canadian voters than the buoyant economy of the past few years and the considerable achievements of the Government in attracting foreign investment, reversing the steep rise in the federal budget deficit and taking the first steps towards a more competitive business environment.

According to Mr Peter Regenstreif, political consultant at the Toronto Securities firm Alfred Bunting and Co, Mr Mulroney "has no foundation of public support based on performance, and therefore not much he can draw on to turn voters away from a focus on his government's ineptitude."

The pressure on the Canadian Premier is compounded by the fact that he must lead his party to the polls within the next two years. Although some rumblings of discontent with his leadership have been heard within the party, there is no question of ousting him before the next election.

Assured of remaining in the saddle for the time being, Mr Mulroney has launched a new effort to improve his Government's standing in the polls. By focusing on a few key issues – notably free trade and tax reform – the Tories hope to regain control of the political agenda.

Mr Mulroney has replaced several of his close advisers. He has installed a new press spokesman and appointed a respected career diplomat his chief of staff. Other moves are aimed at better co-ordination of government policies and priorities.

In other words, much the same has been happening over the past few weeks in the Langevin block in Ottawa as in the White House in Washington. An outsider mav be forgiven for wondering whether the President and Prime Minister will take time off from their talks on free trade and acid rain to compare notes on the best way of burnishing a tarnished image.

Thatcher returns to warm Tory welcome

By Peter Riddell, Political Editor, in London

MRS Margaret Thatcher, the British Prime Minister, receivewd an enthusiastic welcome from Conservative MPs in the House of Commons yesterday after her five day visit to the Soviet Union.

The UK Government wants to exploit what it sees as the political advantages of the trip by holding a full-day debate on foreign affairs next Tuesday. A series of ministerial speeches are also scheduled contrasting the warm reception given to Mrs Thatcher by Mr Mikhail Gorbachev, the Soviet leader with the cool reception affordered to Mr Neil Kinnock, the Labour Party opposition leader in Washington a week ago.

The Cabinet heard Mrs Thatcher's report on the visit and discussed the outcome and its implications for about an hour yesterday.

An early follow-up is likely to be a visit to Moscow by Sir Geoffrey Howe, the Foreign Secretary, in the second half of this year. Any visit by Mr Gorbachev to Britain is unlikely until next year.

The size of the trade deals agreed this week have grown since Mrs Thatcher's original estimate of about 300m in a speech on Tuesday, it also emerged yesterday.

Mrs Thatcher yesterday told the Commons that during her visit "contracts and letters of intent were signed or initialled amounting to nearly £400m." The rise on previous figures results from the signing of a letter of intent by the John Brown engineering group to build a polypropylene plant in the northern Caucuses at a cost of £100m to £120m ($100m to $192m).

Tory MPs cheered as Mrs Thatcher took her seat in the Commons yesterday. Mr Francis Pym, whom she sacked as Foreign Secretary in June, 1983, said the visit had won "universal approval", and attacked what he called the "grudging and carping criticism of Mr. Kinnock.

Mr Kinnock asked how much new of substance had been achieved by Mrs Thatcher, particularly in the bilateral agreements and trade deals. Mrs Thatcher listed a series of new features to these agreements and said Labour MPs were not interested in the changes in the Soviet Union and improvement in bilateral relations.

In generally low key exchanges – but with a definite electioneering tone – she spoke of a possible "turning point" in the Soviet Union and Mrs Thatcher repeated her view of the need for continued nuclear deterrent which would make the world safer.

Clearer view of the Kremlin, Page 7
UK trade talks, Page 4

THE LEX COLUMN

Burton on the escalator

Beneath the glowing confidence of the executives of the Burton Group it is possible to discern signs of insecurity. The decision to publish figures which split out the performance of Debenhams and the core activities is a pre-emptive strike against those who fear that the rights and wrongs of that acquisition will be deliberately obscured.

Further to that, the company has not used any of the reorganisation reserve to pump these figures. And yet the unwillingness even to discuss the extent to which concessionaire activities are being squeezed out of Debenhams still makes it difficult to establish what is really happening in those cavernous spaces.

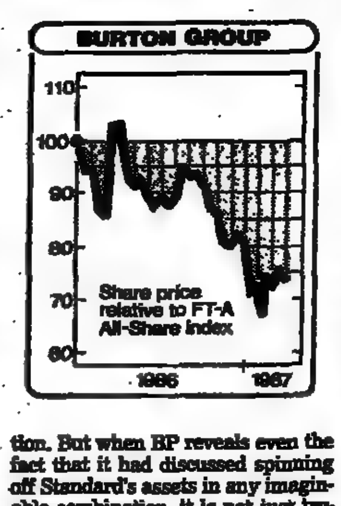
By revealing five year plans to double space and market share Burtons is exacerbating fears that the high streets are to be littered with even more of its own share certificates.

True, thanks to sale and leaseback arrangements, gearing is now down to 30 per cent. And even if Burton were forced by new accounting standards to consolidate the debt of its off balance sheet property company, gearing would rise to only 40 per cent.

But that assumes no exercise of the right to buy back the properties. Burton can have its low gearing, or it can have its asset backing. It cannot have both.

If Burton makes £185m pre-tax this year then the shares, down 3p at 294p, are on a multiple of only 14. That is a discount of about 15 per cent to the sectoral average, for a stock which has produced consistently above average profits growth.

One reason for the apparent anomaly may be fears of a Department of Trade inquiry, but the market's wariness does not spring entirely from such narrow speculation. No wonder the board has chosen to base its notorious options on earnings per share growth, rather than the performance of the shares themselves.



BP/Standard

The wealth of information contained in the text of BP North America's tender offer for Standard Oil makes most UK offer documents seem more than ever like empty rhetoric. In particular it shows that on very conservative assessments Standard's own surplus cash flow could in only two years repay about half the debt incurred in acquisition. But when BP reveals even the fact that it had discussed spinning off Standard's assets in any imaginable combination, it is not just trying to comply with the Freedom of Information Act. Rather, it is attempting to convince the minority that the parent had considered every way of unlocking the value of Standard's assets, and reluctantly concluded that only buying them itself would do.

Reckitt & Colman

Owning famous brands is all very fine, though not the panacea that some managements appear to think. Reckitt & Colman's range of household names could hardly be better known or marketed, but significant volume growth in mustard and disinfectant is rare. Sales last year up only 5 per cent suggest that the pre-tax profit gain of 17.6 per cent to £145.1m owed rather more to the management than its markets.

Reckitt now seems to have developed a Colman's casserole mix for expansion. With the cash produced from the traditional businesses, buy some rather dull ingredients, stir in the management spices, and serve up some tasty earnings gains. First Airwick, and last year Durkee, have given Reckitt the size needed to start making reasonable margins out of the US market. A few plant closures, some sales force merging, head office disposals, and already the interest charges are well covered. The same is happening in Europe, and more acquisitions will no doubt follow in both areas when the opportunities arise.

Even so gearing at 54 per cent at the year end is not uncomfortable. If the right deal came along now it would probably mean a vendor placing, though that need not be dilutive. With earnings likely to grow between 15 and 20 per cent, a prospective multiple of around 14.5, with the shares up 15p at 477p, is not excessive.

RHM/Avana

Unless Ranks Hovis's Australasian visitors choose to dump their stake in the next fortnight, yesterday's intelligently pitched final offer looks destined to engulf Avana.

The supposedly hovering white knights remain rather ghostly and Avana's protest that RHM's size would blunt its own innovatory spirit presumably applies to most preferred suitors too, unless they happened to be foreigners looking for a UK division.

Given the strength of RHM's balance sheet, the potential vulnerability of its paper and the nervousness of the market, a near 15 per cent boost to the cash alternative (twice the increase in the share offer) is sensible.

But Avana understandably baulks at RHM's attempt to have it both ways on generosity and dilution. If the exit multiple really is 22.3 then dilution cannot be brushed aside as immaterial, but on Avana's own all-inclusive earnings projection the multiple is barely at a premium to the sector.

With Avana's forecasts for 1987 and 1988 considerably dependent on the success of new products RHM could find that prospective multiple climbing even higher.

The logic of the bid thus depends on there being rather more overlap than RHM let on to the MMC.

Cakes and chocolate should indeed provide rationalisation benefits providing Avana turns out to be less dependent on Dr Randall than many (including RHM) allege.

Guinness

Guinness's collection of newsagents and convenience stores may – as a former management was want to claim – have served as a managerial nursery from which to regenerate the group's middle ranks, perhaps ultimately replacing those expensive droves of consultant labour. But even the most highly-branded of corner stores represented a liability – the slight taint of unseriousness about booze – that no new management could afford to carry.

Italy steps up battle to join G5 talks

By Lionel Barber in Washington

THE Italian Government has mounted a campaign to be included in any substantive discussions on international monetary policy and exchange rates when finance ministers of the leading industrialised nations meet in Washington next week.

The discreet lobbying effort is likely to come to a head on Wednesday when the Italians will seek clarification of last year's Tokyo accord which sets out conditions under which countries should attend the informal meetings.

Last February, Italy refused to participate in a Group of Seven (G7) meeting – which also covers the US, UK, Japan, West Germany, France and Canada – after it emerged that the key details had been worked out in advance by the finance ministers of the Group of Five (which excludes Canada and Italy).

The G5-G7 squabble has its light side: the Italians have suggested that they have more right to be included in G5 meetings because Italy is a wealthier country than the UK – a view which has drawn a flurry of polite protests from the British who claim an economic renaissance under Prime Minister Margaret Thatcher.

But it could also have serious repercussions, according to international financial officials and diplomats in Washington. They said this week that Italy's "inclusion campaign" would place additional strain on the G5 concept at a time when decision-making already rests largely with the Americans, Japanese and West Germans. "If the Italians carry on," said one senior diplomat, "then France and Britain will be the losers."

Finance officials said it was likely that the Group of Five ministers would meet informally either on Tuesday or Wednesday next week.

Smith suspended from Zimbabwe assembly

BY MICHAEL HOLMAN, AFRICA EDITOR, IN LONDON

MR IAN SMITH, the former Rhodesian Prime Minister who led his country's unilateral declaration of independence from Britain in 1965, was yesterday suspended for one year from Zimbabwe's House of Assembly, effectively ending a parliamentary career which began in 1948.

Zimbabwe MPs voted 30 to 10 in favour of a Government backed motion to suspend Mr Smith because of his remarks in South Africa earlier this year when he urged whites to unite behind their Government and defeat sanctions.

Mr Robert Mugabe, Zimbabwe's Prime Minister, has made it clear that he intends to abolish the 20 white parliamentary seats, entrenched until the seventh anniversary of independence on April 18.

He has given no timetable, but most observers expect that a new constitution eliminating the white bloc will be introduced later this year.

It is the end of an era, for there is little likelihood that Mr Smith will return to the parliament where he sat for nearly 40 years, winning the admiration of the white minority, evoking the wrath of blacks and infuriating successive British governments who strived to topple him as Prime Minister.

Mr Smith, who flew Spitfires for the Royal Air Force over north Africa and northern Italy during the Second World War, first entered parliament in 1948.

From the start he fought against moves to reduce white control of what had been a self-governing colony since 1923. He opposed the 1961 constitution which gave Africans 15 of the 65 seats in parliament.

Mr Smith, who declared UDI on November 11 1965, mesmerised white Rhodesians during his years in office with his vision of an independent Rhodesia standing alone against the world.

Mellon Bank falls into loss

Continued from Page 1

chest in the US, continues to control around a fifth of Mellon's shares and is represented on the board. But despite its famous name and contacts in the boardrooms of many of America's biggest industrial companies, the bank is a shadow of its former self.

Mr Barnes also noted that some of its longest standing industrial customers in the Pittsburgh area were not doing as well as expected and "while loans in this region were not a specific problem in the first quarter, we have built reserves to reflect the lack of strong recovery in steel and related industries."

The final area where the bank has decided to build reserves is in commercial real estate involving a "small number of projects that are currently non-performing."

Mr Barnes went on to stress that Mellon remains financially strong. "We are highly liquid, have access to all funding resources and are not impaired in any way from conducting our business and serving customers.

Underlining the transformation of the group in recent years, he also noted that for the first time in its history, Mellon's earnings from community banking would be its biggest profit contributor.

The slump in Mellon's share price yesterday contrasted with a share price rise for most of the other major US money centre banks which announced late on Wednesday that they were placing some of their Brazilian loans on a non-accrual basis – a move which will hurt their earnings in the short terms.

Yesterday's announcement means that it joins the small list of major US banks, which includes Bank of America, Continental Illinois and the Texas banks, which have been forced either to omit or cut drastically their dividends in the face of mounting loan loss problems.

Mr Barnes admitted yesterday that the bank had made several mistakes and it was now paying the price of its earlier ambitious expansion plans in both the international banking arena and the energy lending markets.

Mellon financed many of Pennsylvania's earliest oil companies and expanded rapidly into the oil patch of the US Southwest in the 1970s and early 1980s when oil prices were rising and the US Government was encouraging the domestic search for oil to replace imports.

"In retrospect the 7 per cent of our total corporate portfolio that came to be comprised of energy loans was too high," Mr Barnes said in Pittsburgh yesterday.

In the international banking arena, Mellon "probably entered this business too late, without the ability to really influence the economic development of the countries in which it became involved," said Mr Barnes.

The group realised its "lack of significant competitive advantage in international banking some time ago" and has been cutting back its international operations since 1985.

"However, the loans we entered into in the expansionary period are still on the books." Mellon is placing $310m of Brazilian debt on a cash basis which will impact first quarter earnings by $10m, said Mr Barnes.

UK warns Japan on trade

Continued from Page 1

In Tokyo a senior official of Japan's Ministry of Finance has expressed "serious concern" at Britain's threat to remove licences of Japanese financial institutions in London.

Mr Toyo Gyohten, Vice-minister of Finance for International Affairs, pointed out that Japanese financial institutions had made important contributions to the growth of London's financial markets.

He also noted that the ministry had been "very positive" in granting securities licences to British companies. However, he said he had noticed when in London recently a growing level of frustration in Britain over the lack of access for British securities firms to the Tokyo Stock Exchange.

Meanwhile, it was confirmed yesterday that the leading Japanese companies in the two consortia competing for an international telecoms franchise have made some concessions to try and satisfy C&W and other interested foreign companies.

The companies agreed last month to merge and, in the process, reduce the stakes of foreign companies to minor levels. This caused an outburst of protest from the British and US governments.

Under the revised agreement announced yesterday, C&W and another foreign company, Pacific Telesis of the US, would become equal partners in the merged venture alongside the six leading Japanese companies.

C&W indicated earlier this week when they were first mooted that these concessions were unacceptable. Mr Fumio Watanabe, chairman of Tokio Marine and Fire Insurance, and the mediator in the merger negotiations, said it was now up to C&W to decide what it would do.

World Weather

[illegible]

New IBM computer range

Continued from Page 1

and Microsoft, the US software house which developed the PC/DOS operating system for IBM's current personal computer range.

IBM says that most of the thousands of applications programs already written for IBM PCs – which represents the greater part of their customers' investment in personal computing – will be able to run on the new operating system. Computer dealers yesterday were afraid, however, that it could be up to two years before applications software for the new machines appeared on the market.

James Buxton writes from Greenock, Scotland: All four of the new computers for European customers will be manufactured at IBM's Greenock plant where some £150m has been spent in the past five years on automated production equipment, including £30m in the past few months to build a line for surface mounting silicon chips, the most advanced chip mounting technology available.

The UK development laboratory at Hursley played a role in the development of the new colour monitors for the range.

Mr Tony Cleaver, chief executive of IBM UK said Greenock had won the right to manufacture the new range against other sites worldwide: "This is recognition that UK engineers and scientists can compete with anybody, anywhere," he said.

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Eli Lilly puts Elizabeth Arden unit up for sale

BY JAMES BUCHAN IN NEW YORK

ELI LILLY, the US pharmaceuticals group, yesterday put its Elizabeth Arden cosmetics subsidiary up for sale in a move intended to focus on its core health-related businesses.

The sale of Elizabeth Arden, which is expected to raise as much as $500m, confirms the industry's disenchantment with cosmetics revealed in last year's $630m sale by Squibb of Charles of the Ritz to Yves Saint Laurent.

The chairman of Lilly, Mr Richard Wood, said the company had decided to focus on businesses with a "high-technology, life sciences orientation."

Lilly acquired Elizabeth Arden in 1971, when it enjoyed sales of $67m, and last year it made operating profits of $33m on sales of $398m, up 12 per cent from 1985.

Lilly's stock price rose $2 to $95½ in early trading yesterday, as Wall Street applauded the proposal.

Mr Neil Sweig, an analyst at Prudential Bache, said that the industry's diversification into cosmetics in the 1970s "seems, in retrospect, a mistake," because of lower profit margins than in the pharmaceutical business and different channels of distribution.

However, Wall Street expects a buyer to pay a premium price for Elizabeth Arden. Mr Sweig said: "There are very few sizable beauty-care companies intact and available."

Lilly also said yesterday that it would buy back 2.5m of its shares, or a little more than 1 per cent, to prevent the dilution of per-share earnings that would be caused by the conversion into shares of convertible securities issued last year.

Bayer moves ahead but warns of rising competitive pressures

BY ANDREW FISHER IN FRANKFURT

BAYER, the big West German chemical company, raised group pre-tax profits 5 per cent last year to DM 3.3bn ($1.8bn) but warned that competitive pressures were increasing in 1987.

The higher profits were achieved on sales which were down 11.3 per cent to DM 40.7bn, mostly because of the effect of the D-Mark's rise against the dollar on translation of the figures into the German currency.

Noting that the dollar and other currencies had gone down further this year against the D-Mark, the Leverkusen-based company said progress in 1987 would depend largely on how far trade protectionism emerged, on the development of exchange rates and on energy costs.

The group added that it was confident, however, that it would have "good results" this year. Bayer is the last of the big three German chemical companies to report its 1986 results. Hoechst announced a rise of almost 2 per cent in pre-tax profits to DM 3.2bn and BASF a fall of almost 14 per cent to DM 2.6bn.

Group pre-tax profits of big three German chemical companies (bn DM)	1986
Bayer	3.30 (+ 5%)
Hoechst	3.21 (+ 2%)
BASF	2.63 (− 14%)

Bayer said its worldwide sales showed a slight rise in volume terms. In local currency terms, sales in Western Europe, North America, and the Far East developed favourably, but the figures were distorted by the D-Mark's firmness.

Capital spending rose from DM 2.1bn to DM 2.4bn, the group said. At the parent company, investments were DM 1bn against DM 780m.

Parent company pre-tax profits were up by 6 per cent to DM 1.7bn, with sales again lower by more than 4 per cent at DM 16.8bn, as a result of the stronger German currency and lower selling prices in some sectors. Exports accounted for 66 per cent of sales.

With capacity utilisation high, unit costs were held down.

This, with savings in raw material and energy costs, helped offset falling prices and other cost increases. Bayer also said profits were boosted by lower extraordinary expenses and higher interest income. It singled out organic chemicals, polyurethanes, and coating raw materials as successful divisions in 1986.

Guinness to sell retailing units

BY LISA WOOD IN LONDON

GUINNESS, the UK beverages, and retail group, is to sell its retailing activities, which include Martin the Newsagent, a 1,900-strong chain of newsagents, and 7-Eleven, a group of 46 convenience stores.

Five businesses are to be divested. No purchasers have been named, but several companies have expressed interest. City analysts put a total value of about £250m ($400m) on the businesses. In 1986 they contributed about £20m of a group pre-tax profit of £241m.

The proposed sale comes about three weeks after Mr Anthony Tennant, former chairman of International Distillers and Vintners, the wine and spirits subsidiary of Grand Metropolitan, took over as chief executive of Guinness.

Mr Tennant said Guinness's future strategy was to concentrate its resources on the development of its international beverage businesses, where it has interests in spirits and brewing. Guinness brands include Gordon's Gin, and Johnnie Walker and Bell's Scotch whisky.

Guinness said yesterday that Mr Brian Baldock, who has been in charge of the retail division, would become director of the Guinness brewing business. Mr Victor Steel had combined this post with his directorship of Guinness's spirits' business, now called United Distillers Group.

Guinness also announced yesterday that Mr Ernest Saunders, the former chief executive dismissed by the board because of alleged illegal share dealings during the Distillers take-over last year, had sold 17,500 ordinary Guinness shares. This brings the total of his beneficial interests to 16,775 units.

Mr Tennant's decision to focus on the international beverage business of Guinness will lead to the unpicking of Mr Saunders' strategy for the group forged over the past six years. This was designed around four core businesses: beverages, publishing, health and retailing.

In addition to Martin the Newsagent, and 7-Eleven, businesses to be divested include Gordon Drummond pharmacies, Richter Bros, a speciality food importer in the US, and Nature's Best, a health products company. Guinness said there was a slight possibility that Martin the Newsagent could be demerged but no decision had yet been taken.

Guinness will retain its interest in United Glass and small parts of the retail division which it believes have good brand development. These are Gleneagles, the Scottish hotel, Champneys, the health Spa, Cranks, the restaurant company, Hediard, a specialist French food retailer and Guinness Publications.

Kongsberg falls deeper into loss

BY KAREN FOSSLI IN OSLO

KONGSBERG Vaapenfabrikk (KV), the financially troubled Norwegian industrial group, has incurred a loss of NKr 339m ($49.5m), before extraordinary items, for 1986 compared with a loss of NKr 51m in 1985.

The deepening losses come at a time when KV is under investigation for supplying numerical control systems to the Soviet Union in alleged violation of Western Alliance limitations on export of technology to Communist bloc countries.

Extraordinary costs last year, essentially a write-down of assets, reached NKr 387m. The finance director, Mr Olav Fjell, said that results before extraordinary items were in line with projections when KV received an equity infusion of NKr 200m last December.

The asset write-downs were NKr 182m for the jet-engine components division; NKr 111m for the industrial-gas turbines division; and 100m for various other assets including equity stakes in other companies, notably the offshore oil and gas exploration company Geco.

As part of its restructuring, KV has sold its 85 per cent shareholding in Kongsberg Offshore Systems, an oil and gas operation. The buyer is the local arm of Siemens of West Germany which paid NKr 72m.

At the end of last year, KV had negative shareholders funds of NKr 300m, said Mr Fjell. In collaboration with the Trade Ministry the company is seeking ways of refinancing its balance sheet.

KV hopes to build its recovery around its defence systems division, which is making a profit, and the strength of the group financial portfolio.

N. AMERICAN DISPOSALS TO FORM PART OF STANDARD DEAL

BP poised to sell assets

BY WILLIAM HALL IN NEW YORK

BRITISH PETROLEUM, which on Wednesday began its $7.4bn cash tender offer for Standard Oil, its US affiliate, is considering selling part of its interest in Prudhoe Bay, the biggest oilfield in North America, and part of its stake in the giant Trans Alaska Pipeline System (Taps).

BP disclosed in its formal offer document for Standard Oil yesterday that "from time to time" it had discussed with Standard the possibility of selling or distributing to Standard's shareholders all or a portion of its interest in Prudhoe Bay or in Taps.

This might be done either directly or through an alternative structure such as a master limited partnership or a royalty trust.

The offer document says BP has no current intention to sell or distribute "any significant assets" of Standard Oil, although it does "intend to continue to study the feasibility and desirability of selling limited partnership or similar interests in a portion of Standard's interests in Prudhoe Bay and/or Taps."

The disclosure that BP and Standard Oil have discussed the possible sale of part of the group's interest in the North Slope of Alaska, its single biggest asset, is among the details contained in the 40-page offer document.

It also provides details of Standard Oil's 1987 operating plan and shows that the company, which lost $345m in 1986, has increased its projected net income for 1987 from $787m to $876m. This is because it now assumes that the average price for Alaska North Slope crude will be $15.95 a barrel in 1987, or about $1.05 a barrel higher than the projection last October.

The latest 1987 earnings projection is the equivalent of $3.73 per Standard Oil share and implies a return on average capital employed of 7.3 per cent.

BP has also disclosed details of Standard Oil's development plan for the next five years, which shows that the company would generate excess cash totalling $2.2bn while retiring debt of $1.4bn. The projections are based upon an oil price for the period of $15 a barrel, adjusted for inflation at an assumed annual rate of 4 per cent.

The company has also prepared profit projections on the basis of $10 and $20-a-barrel oil prices. In the first case the group would earn $890m in 1991 while at the higher price Standard would earn $1.82bn.

Under the $15-a-barrel oil-price scenario, Standard would earn $965m in 1991, would have liquid resources of $3bn and would have a net debt-to-capital ratio of 5 per cent.

Deutsche boosted by Flick flotation

By Andrew Fisher in Frankfurt

DEUTSCHE BANK, the biggest bank in West Germany, turned in record results for 1986, with the figures given a considerable lift by profits on the flotation of the former Flick industrial empire.

The bank has already declared a DM 5 bonus for shareholders on top of a maintained DM 12 dividend as a result of the profits on the Flick deal early last year. Partial group operating profits (excluding trading on own account) were 29 per cent higher at DM 3.8bn ($2.1bn) though the rise would have been only 4.5 per cent without the Flick deal.

Like Commerzbank earlier this week, Deutsche Bank said business had slipped back in the first two months of this year. The bank's co-chairman, Mr Wilhelm Christians, said commission income had fallen sharply as a result of the decline on German stock markets. Net interest income also eased.

Deutsche did not indicate the size of its total operating profits – including trading on its own account – which were about DM 3bn for the parent bank and DM 4bn for the group in 1985. In 1986, operating profits are expected to have comfortably exceeded DM 4bn for the parent and DM 5bn for the group.

The bank said that the full operating result for the parent bank had risen 35 per cent without giving precise figures. This would indicate a level well in excess of DM 4bn.

Business volume of the group was 8 per cent higher at DM 262bn, with a rise of 12 per cent to DM 184bn for the parent. The partial operating profit for the parent, Deutsche Bank AG, was up 46 per cent to DM 2.8bn though this would have come down to 7 per cent without Flick.

Mr Christians said the growth in business volume was mainly attributable to the domestic market. Abroad, increases in volume were partly offset by the effect of the D-Mark's continued rise against the dollar.

He said net interest and dividend income for the parent bank was 27 per cent higher at DM 5.5bn, which would have been 4 per cent without the Flick profits. Net income was 8 per cent higher at DM 824m.

Georg Fischer to propose pay-out rise

By John Wicks in Zurich

GEORG FISCHER, the Swiss engineering concern, is to propose at its May 13 annual meeting dividend increases from SFr 25 ($16.6) to SFr 30 per bearer share and from SFr 5 to SFr 6 per registered share and participation certificate.

At the same time, share capital is intended to be raised from SFr 150m to SFr 182m. This will take place by a one-for-10 rights issue of new bearer and registered shares, whereby holders of participation certificates will be entitled to bearer shares under the same conditions.

A further series of registered shares with a nominal value of SFr 9m will be issued exclusive of drawing rights.

The proceeds of the rights issue are not yet known because the share price is to be announced later.

At the May 13 meeting, shareholders will be asked to approve the later issue of further participation certificates with a nominal value of SFr 25m at the board's discretion.

The dividend rise follows a jump in group earnings from SFr 25m to SFr 37m in 1986 after a rise in consolidated sales from SFr 1.92bn to SFr 1.97bn.

Group cash-flow rose from SFr 102m to SFr 111m and so was enough to more than cover capital expenditure, which rose from SFr 77m to SFr 100m over the year.

The Schaffhausen-based parent company, together with its German branch works in Singen, booked a rise in net profits from SFr 8.9m to SFr 12m.

Before depreciation, earnings had improved from SFr 28m to SFr 33m. Turnover remained almost unchanged at SFr 732m (1985: SFr 734m).

More international company news on Pages 22–24

SOON-TO-BE-PRIVATISED FRENCH GROUP POSTS FFR 1.72BN PROFIT

CGE moves ahead by 45%

BY PAUL BETTS IN PARIS

COMPAGNIE Générale d'Electricité (CGE), the French nationalised telecommunications and engineering group to be privatised early next month, yesterday reported a 45 per cent increase in consolidated net earnings to FFr 1.72bn ($286.6m) last year from FFr 1.185bn the year before. Sales rose to FFr 80.9bn last year from FFr 71.9bn the year before.

CGE is expected to be floated by the French Government on May 11. The French Finance Ministry is also expected to fix the price for the shares in the company on May 8.

CGE said yesterday it was planning to split its shares owned by the French Government or state financial institutions on a three-to-one basis to help meet what is expected to be strong public demand for its equity when the company is privatised. After the split there will be a total of 28m shares.

However, CGE will also launch a record new share issue to raise between FFr 5bn and FFr 7bn simultaneously with the flotation of the company next month. The new equity issue is expected to involve 19m to 25m new shares.

After the combined flotation of the new equity issue, CGE's total number of outstanding shares will amount to between 47m and 51m shares.

The record new issue is designed to reduce the group's overall debts which have increased following CGE's acquisition of a majority stake in the new joint venture linking the telecommunication assets of CGE's Alcatel subsidiary with those of ITT.

Senior company officials indicated yesterday that the group's medium-term and long-term financial debts had increased by FFr 5.4bn last year to FFr 13.9bn at the end of last December. After integrating from the beginning of this year the debts of the ITT assets involved in the joint telecommunications deal, CGE's debts have increased to FFr 19bn.

However, the deal has also resulted in an increase in CGE's total assets from FFr 135bn to FFr 189bn. ITT assets, which are not included in the 1986 financial result, will help boost CGE sales next year to about FFr 130bn.

The 1986 profits of FFr 1.72bn included substantial special gains from portfolio operations totalling about FFr 400m last year compared with special portfolio gains of FFr 171m the year before.

Alcatel's contribution to the group's profits, excluding the new ITT assets, totalled FFr 391m last year while the profit contribution from the Alsthom heavy engineering subsidiary amounted to FFr 357m.

CGE's bookings rose to FFr 83.7bn last year from FFr 82bn in 1985. Total outstanding orders on the company's books at the end of last December amounted to FFr 118bn.

CGE officials also confirmed yesterday that the new telecom venture with ITT named Alcatel NV was expected to report profits of $250m this year on sales of about $12.5bn.

CGE paid $572m for its 55 per cent controlling stake in the new telecommunication venture with ITT. Company officials indicated that the goodwill premium CGE paid ITT in the deal amounted to FFr 3.7bn, which the company expects to amortise over the next 20 years at an annual depreciation rate of FFr 185m.

As part of the privatisation of the group, CGE's 130,000 employees will be offered a discount of up to 30 per cent on the share price if the shares they subscribe to are placed for five years in a CGE internal unit trust.

Under the French Government's privatisation rules up to 10 per cent of the group's shares are to be offered to company employees. Up to now, employees of privatised companies have been offered a 20 per cent discount on the share price if they hold their shares for at least two years on a 5 per cent discount if they sell them before then.

The 30 per cent discount offered by the company through the unit trust scheme is the first operation of its kind so far undertaken in the French privatisation programme.

However, the 110,000 CGE employees working outside France will not be able to take advantage of this additional incentive

Sales increase pushes Framatome higher

BY GEORGE GRAHAM IN PARIS

FRAMATOME, the French nuclear power plant builder, raised its net profits last year by 18 per cent to FFr 777m ($129.5m) with sales rising 28 per cent to FFr 13.2bn.

The company's chairman, Mr Jean-Claude Leny, said new orders worth FFr 12.5bn had been booked during the year but warned of the future effects of the slowdown of plant orders from France's domestic electricity industry and the increasing rarity of nuclear power projects overseas.

Electricité de France's order in January for the Chooz B2 plant is expected to be its last until the fourth quarter of 1988.

Framatome's total order book still stands at FFr 50bn, 24 per cent of it for foreign customers. So the downturn in results is not expected to be felt until 1990 or beyond.

Turnover in 1987 is expected to drop slightly to FFr 12bn or FFr 12.5bn, with profits rising slightly to about FFr 800m.

However, Framatome wants to diversify rapidly away from its core business, and Mr Leny said the company was seeking to invest up to FFr 2bn, financed out of cash-flow, in one or two major businesses.

Mr Leny said he was looking for a well-managed and profitable business in a growth sector. Framatome did not want to enter a sector where someone else already had a dominant market position and had therefore ruled out the telecommunications industry.

The company has looked at the food industry, which it regards as having some niches with excellent growth prospects, even if it is a long way away from its nuclear plant building business.

Mr Leny said that BSN, France's largest food group, was one of Framatome's models for its attempt to evolve away from a core business.

Within the nuclear industry, the company is increasing its efforts to win service and maintenance orders and expects to seek closer co-operation with other European nuclear plant suppliers on the lines of its recent agreement with Kraftwerke union (KWU), the nuclear plant subsidiary of West Germany's Siemens, to work together on the design of a 600 MW nuclear reactor for Indonesia.

Framatome is 40 per cent owned by the Compagnie Générale d'Electricité group, which is due to be privatised in the next few months, and 35 per cent by the French atomic energy commission (CEA), with further stakes held by the Dumez construction group and Electricité de France, the country's power authority and Framatome's main customer.

INTERNATIONAL COMPANIES and FINANCE

San Miguel deal may give Bond 12% stake

By Richard Gourlay in Manila

THE BOARD of San Miguel Corporation, the Philippines' largest industrial company, has approved a deal to buy back about 32 per cent of its shares from a government-controlled bank, in a deal which will allow Bond Corporation Holding's of Australia a substantial minority interest in the brewing group.

The plan will give Mr Alan Bond's Perth-based company 14m shares or about 12 per cent of the company for about 2.1bn pesos ($102.2m) if the deal goes through.

However the deal is highly controversial and was approved only after heated debate at the board meeting yesterday. The Government appointed a large minority of the company's directors last year after sequestering the shares.

The Presidential Commission on Good Government, which is hunting down wealth allegedly stolen by former President Ferdinand Marcos, had previously blocked the sale of the shares to a group led by Mr Andres Soriano, the company's president. It suspected the proceeds of sale would pass into the hands of business "cronies" of Mr Marcos.

As a result the commission still has to approve the deal. On Wednesday, Mr Ramon Diaz, the commission chairman, confirmed that the entire block of 38m shares was to be sold at an aggregate price of 138 pesos but he said certain conditions remained to be fulfilled.

Chinese market

These included knowing for certain that the shares will not fall into the hand sof surrogates of Mr Marcos.

As the deal stands, it appears that a significant amount of the shares will be bought with company funds at a premium over market price before they are sold to existing shareholders.

Should the deal go through, Mr Bond will acquire an interest in the country's most powerful consumer-based group that has a virtual monopoly of the local beer market. However, brokers suspect the real motives for Mr Bond's interest in the group centre on San Miguel's Hong Kong brewery that could provide him with a kick-off point to the potentially lucrative Chinese market.

Strong opposition remains within the San Miguel board, led by one of the Government's appointed directors, Mr Eduardo de los Angeles. Last week he filed a charge with the country's Securities and Exchange Commission making 10 fellow directors allegedly liable for breach of fiduciary duties in connection with the Soriano group's earlier attempt to buy back the same sequestered shares.

Bond acquires full control of Greenvale mine

By Stefan Wagstyl

MR ALAN BOND, the Perth entrepreneur, has bought full control of the troubled Greenvale nickel-cobalt mine in Queensland, Australia.

Dallhold Investments, Mr Bond's private company, has bought a 50 per cent stake in the scheme from Freeport-McMoRan, the US natural resources group. The remainder is owned by Metals Exploration, which is indirectly controlled by Bond Corporation, Mr Bond's master listed company.

The purchase price was not disclosed. But stockbroking analysts said it was likely to be low given that the project has not made money since it came on stream in 1974. Last October the scheme's banks rescheduled debts estimated at more than A$1bn (US$706m) after the Queensland government put up the latest of several packages of aid it has provided over the years.

The deal marks the latest decision by a North American natural resources conglomerate to pull out of the Australian minerals industry. It also highlights the efforts Mr Bond and others, notably Elders Resources, the resources affiliate of Elders IXL, have been making to build substantial new groups in the mining industry.

John Elliott examines the rapid growth of India's industrial houses

Birla tops Tata in assets league

THE BIRLA group has narrowly overtaken Tata as India's largest family of companies with assets and annual turnover each exceeding Rs 40bn ($3.1bn), although Tata remained the largest in terms of profits which totalled Rs 2.51bn before tax in 1985, the latest period for which figures are available.

Both industrial houses also remain about four times larger than their nearest rivals—Thapar, JK Singhania, and India's fastest growing company, Reliance. Each of these have assets of around Rs 10bn and annual turnover of about Rs 8bn to Rs 10bn.

Tata has for many years been regarded as India's biggest industrial house. But it was replaced by Birla in 1985, according to statistics prepared by the Ministry of Industry using definitions of large industrial houses in the country's Monopolies and Restrictive Trade Practices

The statistics show that many of the largest Indian companies, which are broadly based in many basic industries, have grown by as much as 100 to 200 per cent between 1980 and 1985, although the two years' figures are not precisely comparable.

They also show that there are now no multinationals in the country's top dozen companies. The biggest are offshoots of ICI and Unilever, which rank at numbers 16 and 18 with assets of around Rs 4.4bn each. Next come offshoots of BAT, Leyland Vehicles, Dunlop, and Philips, which are in the largest 30.

The ranking of the top companies is now being affected by large-scale industrial projects in chemical, fertiliser and other industries, some costing as much as Rs 7bn. Birla's leading position could be also affected by a decision taken six months ago by members of the family to break up their cross-holdings in each others' companies so that six or seven separately-owned Birla groups emerge.

Exact sizes of Indian companies re hard to assess because most try to keep their various operations as separate as possible in order to avoid some of the country's pervasive MRTP and other industrial controls and to reduce political interference and tax liabilities.

Few operate as groups with a single holding company, or advertise their links. So the list produced by the Industry Ministry is the most reliable available.

The list is based on grouping together companies which are defined as interconnected under the MRTP legislation. There have to be cross-holdings of up to 25 per cent of a company's equity, or 25 per cent of boardroom seats including both employed directors and family members, or some other form of joint control.

The MRTP rules, aimed at preventing major concentrations of economic power by curbing the expansion of large industrial houses, were tightened in 1984. The percentage for interconnection was reduced from 33.33 per cent to 25 per cent, so embracing more loosely related family holdings. Investment houses were also brought within the definitions for the first time.

These changes partly account for some of the big 1980-85 increases in assets, which are traditionally regarded in India as a more important measure of industrial status and success than turnover or profits.

INDIA'S TOP TWELVE

	Assets Rs bn 1985	Assets Rs bn 1980	Profits before tax Rs bn 1985	Turnover Rs bn 1985
Birla	41.11	14.31	1.54	42.30
Tata	36.98	15.38	2.51	41.30
Thapar	10.67	3.48	0.22	9.12
JK Singhania	10.57	4.12	0.19	10.81
Reliance	10.56	1.66	0.71	7.77
Mafatlal	9.64	4.27	0.45	11.90
Modi	8.18	1.98	0.19	11.13
Assoc Cement (ACC)	7.42	2.74	0.01	7.92
Larsen &Toubro	7.14	2.16	0.40	4.77
Bangur	6.50	2.64	0.08	7.04
Bajaj	6.19	1.79	0.41	6.11
Walchand	6.07	1.50	0.22	5.22

In the official statistics M. A. Chidambaram of South India is in 8th place with 1985 assets of Rs 7.73bn, up from Rs 0.43bn in 1980. But this reflects some common directorships between Chimambaram and Southern Petrochemical Industrial Corporation which do not form a combined industrial house.

Source: Ministry of Industry (Company Affairs), Delhi

Birla's assets rose from Rs 14.31bn in 1980 to Rs 33.59bn in 1984 and then, after the changes of rules, to Rs 41.11bn in 1985. Tata's assets similarly went up from Rs 15.38bn to Rs 31.20bn between 1980 and 1984 and then to Rs 36.98bn in 1985.

Turnover rose along broadly similar lines but profits did not grow so fast. Tata's profits before tax went from Rs 1.10bn in 1980 to Rs 1.13bn in 1984 and Rs 2.51bn in 1985. Birla did less well, going down from Rs 1.21bn in 1980 to Rs 1.20bn in 1984 and up to Rs 1.54bn in 1985.

Results for the other large companies are broadly in proportion with these figures, although Reliance stands out as the fastest growing as it has expanded from a textile base into synthetics and chemicals. Its assets went from Rs 11.66bn in 1980 to Rs 6.72bn in 1984 and Rs 10.56bn in 1985.

The third biggest industrial house, Thapar, is diversifying from its base in paper, chemicals and textiles in collaboration with various foreign companies. They include Du Pont of the US which is taking a $12m to $13m, 40 per cent stake in a nylon plant costing Rs 1.2bn, the biggest US investment in India in recent years.

The Ministry of Industry says that according to the MRTP definitions there were 1,672 undertakings belonging to large houses in 1984. Of these, 1,613 belonged to 157 large houses, each having two or more interconnected undertakings.

The remaining 59 were single large undertakings, two of the biggest five being offshoots of Alcan of Canada and Union Carbide of the US.

Humes amends terms for Smorgon assets purchase

BY BRUCE JACQUES IN SYDNEY

HUMES, the Australian building products group, has moved to placate apparent dissension from Mr Ron Brierley's Industrial Equity (IEL) by changing the terms of its troubled deal with the privately-owned Smorgon group.

The change follows the emergence earlier this year of IEL as an 8 per cent shareholder in Humes. The shares were purchased in a virtual auction conducted by the National Companies and Securities Commission after the regulatory body intervened in what was then a takeover battle for Humes.

The stake gave IEL a springboard to have Humes's proposed Smorgon deal outvoted at a meeting of the company's shareholders, and thus left the corporate raider well placed to pressure for the deal to be changed.

There has been some market criticism of the deal—which involves Humes buying Smorgon's steel mill in Victoria in return for the latter company taking a stake approaching 50 per cent in Humes. IEL is known to have held talks with Humes and Smorgon boards before the latest change.

Under the new deal, Humes will still pay A$246.5m (US$174.1m) for the Smorgon assets, but payments will be heavily deferred. The first instalment has been reduced from A$186m to A$148m and payment on completion of the mill upgrading is reduced from A$160.6m to A$78.6m. The remaining payment of A$120m has been deferred for up to seven years.

The structure of convertible notes to be issued to Smorgon has also changed and Humes has issued new earnings projections which anticipate a A$32m after-tax profit in 1987, rising to A$43.3m in 1988 and A$55.7m in 1989.

Further details of the changes will be sent with documents convening an extraordinary meeting of shareholders.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

$75m convertible for Lucas Industries

BY CLARE PEARSON

PRICES IN the Eurodollar market registered modest gains yesterday of up to ¼ percentage point in sympathy with the US Treasury market, though retail investors remained on the side-lines.

Attention in the new issues market focused on equity-linked transactions. Three Japanese borrowers launched issues, taking advantage of a new record high achieved by the Tokyo stock market, while the US subsidiary of Lucas Industries, the UK engineering company, issued a $75m bond convertible into the parent's shares.

The principal payments on the $75m convertible bond are not guaranteed by Lucas Industries, although the interest payments and the premium on the investor's put option are guaranteed by the parent. There is, in addition, a covenant from the issuer that it will maintain a net worth of at least $50m during the life of the bond.

The indicated coupon is 5¼ to 5½ per cent and the conversion premium is expected to be set at between 8 and 12 per cent. It is callable at 106, and then at declining premiums, but not before 1994 unless the share price equals 130 per cent of the conversion price. It may be put after seven years at a price to give a yield of between 7¼ and 7½ per cent. Final terms will be fixed on or before 9 April.

The deal, led by J. Henry Schroder Wagg, was quoted at around 102, against a par issue price.

Yamaichi International led a $100m 15-year convertible for Hokkaido Takushoku Bank which shot up to around 108—compared with a par issue price—immediately after launch.

The issue has an indicated 2 per cent coupon and the conversion premium will be set at 5 per cent over the average closing price between 3 and 9 April. The bond incorporates a call feature. The borrower also issued a SFr 100m bond.

Daiwa Europe meanwhile launched two equity warrants bonds for Japanese companies. Both have five year lives and indicated 2¼ per cent coupons, and are priced at par. Tokyo Optical Company's $40m bond was quoted at around 99 bid, while Keihanshin Real Estate's $25m issue was trading around 107 bid.

Prices of Euroyen bonds rose by up to ⅜ point, encouraged by gains in the Japanese government bond market as buying renewed after the March 31 financial year end.

Nippon Credit International led a Y17bn five-year 4⅞ per cent bond for BFCE, priced at 102¾, which traded at discounts to issue price close to its total fees.

Chase Investment Bank led a C$75m six-year 9 per cent bond for Hertz Realty Corporation, the finance arm of Hertz Corporation. The deal was priced at 100¾.

Goldman Sachs International led an A$50m three-year 14¾

INTERNATIONAL BONDS

per cent bond for Bacob Finance, the subsidiary of Bacob, the Belgian savings bank.

Meanwhile BHF Bank led on its own behalf an A$30m five-year 14¼ per cent bond, issued through a Jersey finance subsidiary. The deal was quoted at 100⅞ bid, compared with a 101½ issue price.

Prices of D-Mark Eurobonds firmed by up ¼ point, encouraged by the US Treasury market. Ten-year bonds, and issues for sovereigns and supranationals, achieved the highest gains.

Commerzbank led a DM 300m 10-year 6¼ per cent issue for Ireland, priced at 100¼. It traded well within its fees at less 1.80 bid, according to the lead-manager. Dealers generally considered the terms fair.

Turnover in Switzerland was high, although price movements were small.

Swiss Bank Corporation led the SFr 100m convertible 5½-year bond for Hokkaido Takushoku Bank. The issue carries an indicated 1¾ per cent coupon, payable semi-annually, and a par issue price. It is callable at 104 in 1990 and then at declining premiums. The bond was quoted at 102½ bid, against a par issue price.

Union Bank of Switzerland led a SFr 60m quite 4¾ per cent bond, priced at 100½, for Nitto Boseki. The deal has an eight-year final maturity but incorporates a sinking fund between 1990 and 1994. It is callable from 1991.

Japan lifts ban on regional bank funding

By Yoko Shibata in Tokyo

THE Japanese Ministry of Finance has decided to lift a ban on convertible bond issues by regional banks on the domestic capital market.

However, the eligible issuers will initially be limited to regional banks, with the first bank CB issue expected by the end of April.

The measure is designed to diversify the fund-raising opportunities available to smaller banks in order to help them raise their capital ratio.

In an attempt to temper the growing risks faced by banks in the wake of the financial market liberalisations, the MoF wants them to raise their net worth ratios to around 4 per cent by fiscal 1990 from the current levels of 2-3 per cent.

Theoretically, the ministry's policy should also permit city (commercial) banks to raise funds through domestic issues of convertibles, but it has decided to withhold approval for the time being, in view of the strong opposition from the long-term credit banks.

The rigid separation in Japan of long-term and short-term banking has traditionally meant that only the three long-term credit banks have been allowed to raise long-term debt capital, with the city banks restricted to the shorter end of the domestic market—call money, bills, certificates of deposit and gensaki (repurchasable) bonds.

In 1985, however, new ground was broken when the ministry permitted City and regional banks to float foreign currency-denominated convertibles in overseas markets, while placing restrictions on the use of the funds raised.

However, many regional banks, partly because of their low profile overseas, have found it difficult to achieve a good market reception to their convertibles, leading them to urge the ministry to allow similar issues on the domestic market.

As with overseas issues, regional banks will be restricted to using the proceeds on capital spending purposes, MoF officials said.

Stephen Fidler explains why US banks have chosen to take big cuts in earnings

Lenders adopt a tough line with Brazil

THE MOVE led by three US banks this week to downgrade loans to Brazil is the latest sign that lenders around the world are becoming increasingly resistent to political pressure to force them to make concessions to Third World debtors.

American bankers said yesterday that the downgrading was motivated primarily by a desire to reduce uncertainty about earnings shortly before first quarter performance is due to be announced, and to underline their commitment to prudent accounting practice.

But it was also intended, they said, to deliver a message to Brazil that the banks were going to be no easy target in negotiations for a rescheduling of its debt later in the year.

As they did with Mexico, the US authorities have taken a direct interest in the Brazilian problem. Mr Paul Volcker, chairman of the Federal Reserve, is said to have intervened in an attempt to force the banks to adopt a more conciliatory tone toward Brasilia.

It was not the downgrading of the Brazilian debt itself, but the timing of the announcement which was seen as most significant.

Brazil suspended interest payments on $68bn of medium and long-term debt to banks on February 20, six weeks ago.

Under US accounting practice, the banks do not have to place the loans on a non-accrual basis — meaning they cannot include the interest from them as income before they have received the cash from the borrower—until there has been a delay of 90 days.

The early move is seen as proof that the banks are willing to bite the bullet on Brazil now and take a reduction in earnings, leaving them with less to lose if talks with the Brazilians do not run smoothly. Talks start a week today in New York between Brazil and its leading bank creditors.

J. P. Morgan, Bank of America and Manufacturers Hanover said their decision would reduce their first quarter income by about $20m, $40m and $18m respectively. Under the influence of the regulators, other big banks can be expected to take similar accounting decisions.

US bank regulators this week lowered the classification of Brazilian debt to sub-standard, which warns of trouble. If the loans are downgraded again to "value-impaired," the banks will be forced to make provisions. The fact that the announcement from the banks came on the same day was said to have been coincidental.

It is in the case of Mexico, however, that the US authorities have applied the greatest political pressure on banks, and it is the non-US banks which are digging their heels in.

Many bankers say they were pressured by the US Government into joining the package, which provides for a new $7.7bn rescheduling loan. It was for this reason, they say, that they accepted what many considered a concessionary interest margin of 13/16 point over London interbank offered rates.

The package called for banks to commit in new funds the equivalent of 12.9 per cent of their exposure to Mexico in August 1982, when the country set off the Third World debt crisis by declaring that it could not meet its foreign debt commitments.

British banks have now said they will not sign the rescheduling agreement until there is an equal commitment from other banks, particularly those in the US. Other banks, including most of the leading Canadian lenders, have made a similar point.

Their message is that the US Administration, which pressed for the deal in the first place, should now bring the US banks into line.

More than 100 US banks have so far committed some 82 to 83 per cent of their required amount, although only about 70 have so far signed the agreement. British banks would consider equitable a US commitment of about 90 per cent.

Citicorp, the US bank which heads the steering committee of Mexico's bank creditors, urged the UK banks to sign the agreement in a telex this week. However, in talks held on Wednesday, the British banks decided not to alter their position: they will not sign unless there is an equal commitment from others.

The Philippines provided aonther example of the banks' unwillingness to make concessions to borrowers.

In the talks to reschedule some $13.2bn of bank debt, its negotiators failed to break through in two key areas in which they were pressing for concessions—interest rates, and the use of its so-called Philippines Investment Notes (PINs).

The banks agreed to a ⅞ per cent spread over London interbank offered rates (Libor) only after Manila undertook to repay principal in coming years. In a part of the agreement not widely publicised when it was announced last week, Manila will pay 1 per cent over Libor in any year in which it does not repay principal.

This allowed the banks to cite the precedent of Venezuela, which they said fulfilled three conditions entitling it to a ⅞ per cent spread—it was up to date on interest, was not asking for new money in its rescheduling and was repaying some principal.

The principal repayments are technically to be on the $900m of new money the banks lent in 1985.

Manila had also wanted to issue PINs, notes entitling the holder to concessionary terms on investments in the Philippines, as an alternative to cash for part of its interest payments. But the banks held out, and the Philippines must pay all interest payments in cash. ments in cash.

Japanese banks are proving the main obstacle to the completion of a rescheduling deal put together in November by Nigeria and its leading creditor banks.

As the package approaches a critical stage, fewer than half of the Japanese banks have said they will join the package, which covers $4.6-$4.7bn of medium-term bank loans and letters of credit, and a new loan for $320m.

Most of the 330 creditor banks, covering 90 per cent of the total amount, have agreed to the package.

But senior bankers say the deal would be in jeopardy if there is no further response from Japan. Although the Japanese account for less than 5 per cent of total bank exposure to Nigeria, there are fears that their refusal to join would provide other banks with a pretext for pulling out.

A visit to Tokyo earlier this month by a senior delegation of bankers and monetary officials has so far had little success in persuading the Japanese to join.

TOP US BANK EXPOSURE IN BRAZIL (Year-end 1985)

	Exposure ($m)	% of equity	% of assets
Chase Manhattan	2,820	64	3.21
Manufacturers Hanover	2,247	63	2.93
BankAmerica	2,799	61	2.36
Citicorp	4,700	60	2.70
Marine Midland	668	55	2.85
Chemical New York	1,434	50	2.51
J. P. Morgan	1,929	43	2.78
Wells Fargo	603	41	2.04
First Chicago	806	38	2.07
Bankers Trust New York	864	34	1.70

Source: IBCA

Euroyen sector growth takes Nomura to top of league

BY OUR EUROMARKETS STAFF

EUROYEN BOND issuance rose sharply during the first quarter of 1987, helping Nomura Securities to shoot to the top of the Eurobond book-runners' league table with 11.1 per cent of the market, according to figures prepared by IDD Information Services in New York.

Credit Suisse First Boston, which had occupied first position at the end of 1986, fell to third position while Deutsche Bank, aided by the growing preference of investors for non-dollar bonds, occupied second place with 6.9 per cent of the market.

Morgan Guaranty held on to the fourth position it achieved at the end of 1986, having jumped from 16th place at the end of the first quarter last year. The popularity of the sterling market during the first three months was reflected in S. G. Warburg's jump from 11th to eighth place.

New issues volume totalled $49.06bn (equivalent), an 8 per cent increase on the same period last year. The dollar's share fell to 36 per cent compared with 59 per cent, while the share of the yen rose from 12 to 17 per cent. The D-Mark, meanwhile, achieved a 2 per cent gain to 12 per cent.

TOP 10 EUROBOND LEAD MANAGERS

	First quarter 1987				First quarter 1986			
Manager	Amount $bn	Rank	Market share %	Issues	Amount $bn	Rank	Market share %	Issues
Nomura Securities	5.421	1	11.1	39	2.991	(3)	6.8	26
Deutsche Bank	3.365	2	6.9	28	4.520	(1)	10.2	27
Credit Suisse First Boston	2.930	3	6.0	25	3.881	(2)	8.9	24
Morgan Guaranty	2.425	4	4.9	19	0.852	(16)	1.9	10
Salomon Brothers	2.353	5	4.8	17	2.460	(4)	5.6	17
Banque Paribas	1.941	6	4.0	16	1.531	(8)	3.5	15
Daiwa Securities	1.931	7	3.9	20	1.914	(5)	4.4	17
S.G. Warburg	1.906	8	3.9	19	1.161	(11)	2.7	9
Morgan Stanley	1.812	9	3.7	14	1.720	(6)	3.9	14
Nikko Securities	1.756	10	3.6	12	1.485	(9)	3.4	15

Note: Full credit given to book runner. Source: IDD Information Services

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on April 2

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅞ 92	200	95	[illegible]	0	[illegible]	7.97
A/S Eksportfinans 7¾ 92	100	[illegible]	[illegible]	[illegible]	[illegible]	7.81
A/S Eksportfinans 7¾ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.82
Austria 7¾ 97	[illegible]	97½	[illegible]	[illegible]	[illegible]	[illegible]
BP Capital 9¼ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.87
British Telecom 7⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Campbell Soup 10⅞ 95	[illegible]	111⅞	[illegible]	[illegible]	[illegible]	[illegible]
Canada 9 96	[illegible]	[illegible]	[illegible]	0	[illegible]	7.85
Canadian Pac. 10⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCCE 7⅞ 91	[illegible]	[illegible]	91	[illegible]	[illegible]	7.44
CNCA 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp 8⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]
Credit Lyonnais 9 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 9⅞ 93	150	106	[illegible]	[illegible]	[illegible]	[illegible]
Credit National 7⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark Kingdom 8⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 7 93	[illegible]	[illegible]	97	[illegible]	[illegible]	[illegible]
EEC 8⅞ 96	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 7¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.87
EIB 7⅞ 93 A	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.71
EIB 7⅞ 93 B	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.71
Finland 7⅞ 97	200	[illegible]	98	[illegible]	[illegible]	8.21
Finland 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.79
Ford Motor Cred. 10⅞ 91	150	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Motor Cred. 11⅞ 90	[illegible]	110	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Elec. Cred. 10⅞ 00	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]
Hoesch 7⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.99
Hoesch 7⅞ 94	[illegible]	[illegible]	99	[illegible]	[illegible]	[illegible]
Hoesch 8⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Liberty Mutual 8⅞ 96	150	[illegible]	[illegible]	[illegible]	[illegible]	8.25
LTCB of Japan 8 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.56
LTCB of Japan 8 97	200	[illegible]	99	[illegible]	[illegible]	8.18
Merrill-Sears Cred. 7⅞ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.99
Merrill Lynch 8⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.90
Mitsubishi Fin. 7⅞ 93	[illegible]	99	[illegible]	[illegible]	[illegible]	[illegible]
Mutual America 7⅞ 92	[illegible]	[illegible]	100	[illegible]	[illegible]	7.71
Norway Kingdom 7⅞ 91	500	[illegible]	[illegible]	[illegible]	[illegible]	7.34
Pepsico Inc. 7⅞ 93	200	[illegible]	[illegible]	[illegible]	[illegible]	7.71
Qantas Airways 10⅞ 95	140	112	112½	[illegible]	[illegible]	[illegible]
Queensland Gov. 10⅞ 95	100	111	111½	[illegible]	[illegible]	[illegible]
Rolston Purina 11⅞ 95	250	†115	115½	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Chugoku Electric 5 93	[illegible]	[illegible]	[illegible]	[illegible]	0	4.88
Denmark, Kingdom 5⅞ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.66
EEC 4⅞ 93	[illegible]	101	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France 5⅞ 94	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima 5½ 93	[illegible]	[illegible]	[illegible]	[illegible]	0	4.87
Sweden, Kingdom 6⅞ 94	[illegible]	[illegible]	[illegible]	0	[illegible]	[illegible]
Sweden, Kingdom 5⅞ 95	[illegible]	[illegible]	105	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14½ 90 A$	50	[illegible]	[illegible]	0	[illegible]	14.21
Bergen Bank 15 90 A$	[illegible]	[illegible]	[illegible]	0	[illegible]	14.49
BHF Bank 14⅞ 92 A$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13.91
BHP Fin. 14⅞ 92 A$	75	[illegible]	[illegible]	0	[illegible]	13.69
Deutsche Bk. 14⅞ 92 A$	[illegible]	[illegible]	[illegible]	0	[illegible]	13.39
Eurofima 14⅞ 90 A$	[illegible]	[illegible]	[illegible]	0	[illegible]	14.02
McDonald's Corp. 14⅞ 94 A$	50	[illegible]	[illegible]	[illegible]	[illegible]	13.42
World Bank 14⅞ 92 A$	[illegible]	[illegible]	[illegible]	0	[illegible]	13.29
Canadian Pac. 10⅞ 90 C$	75	[illegible]	[illegible]	0	0	8.38
Chrysler Corp. 10 91 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eaton Fin. 11⅞ 95 C$	75	[illegible]	[illegible]	0	[illegible]	9.67
GMAC 9⅞ 92 C$	[illegible]	[illegible]	[illegible]	0	[illegible]	[illegible]
Royal Trustco 10⅞ 90 C$	75	[illegible]	[illegible]	0	[illegible]	8.22
Sears Acc. 10⅞ 92 C$	75	[illegible]	107	[illegible]	[illegible]	8.99
Coca-Cola F. 17 90 NZ$	75	[illegible]	[illegible]	0	0	15.68
Denmark 17½ 89 NZ$	50	[illegible]	[illegible]	0	0	16.61
Unilever Cap. 17½ 89 NZ$	[illegible]	[illegible]	[illegible]	0	0	16.85
Copenhagen City 9 95 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.61
EIB 7⅞ 91 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.18
EIB 8⅞ 93 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.14
Walt Disney 8⅞ 94 Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.67
Finland 6 91 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.02
Nat. Bk. Denmark 6 91 Fl	[illegible]	[illegible]	[illegible]	0	[illegible]	6.37
Thyssen 7⅞ 90 Fl	[illegible]	[illegible]	[illegible]	0	[illegible]	6.19
Unilever 6⅞ 90 Fl	[illegible]	[illegible]	[illegible]	[illegible]	0	5.96
World Bank 5⅞ 91 Fl	[illegible]	[illegible]	[illegible]	0	[illegible]	5.87
American Brand 9⅞ 94 £	[illegible]	98	[illegible]	[illegible]	[illegible]	9.86
Deutsche Bank 9⅞ 97 £	75	[illegible]	[illegible]	[illegible]	[illegible]	9.87
Halifax Bld. Soc. 10⅞ 97 £	100	[illegible]	[illegible]	[illegible]	[illegible]	9.98
Imp. Chem. Inds. 10 05 £	100	[illegible]	103	[illegible]	[illegible]	9.65
Imp. Chem. Inds. 10⅞ 92 £	75	[illegible]	104	[illegible]	0	9.79
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change on day +⅛ on week +⅛

[illegible]

York Trust in commodity futures deal

By Stephen Fidler

YORK TRUST, the UK financial services group, said yesterday it had agreed to acquire a significant stake in London Commodity Futures (LCF), the most active participant on the London International Financial Futures Exchange (Liffe).

York, a company quoted on the UK Unlisted Securities Market and capitalised at around £25m, will take an initial 35 per cent stake and an option to purchase the remaining 65 per cent over the next six months. The cash and shares deal values LCF at over £6m.

LCF has 12 seats on Liffe, 10 of which it owns and two of which are leased. Mr Neil Balfour, York's chairman, said LCF would embark on an expansion programme and intended to acquire seats on futures exchanges in Chicago and Sydney at the earliest opportunity. Existing directors and staff would be retained.

United Gulf Bank returns to profits

By Our Financial Staff

UNITED GULF BANK, a Bahrain-incorporated offshore banking unit which has been troubled by large writedowns on investments, returned to profit last year and has restored a dividend, last paid in 1983.

Net earnings were given as $6m compared with 1985 losses of $10m, drawn from operating revenue of $14.4m against $4.3m. Shareholders of the bank, which was set up in 1980 by Kuwaiti non-government investors, are to receive a 5 per cent dividend payout.

Provisions for loans and write-down on investments were reduced sharply to $8.4m from $14.4m. UGB said the improvement in performance also stemmed from higher returns on investment banking busines sand a decline in operating expenses.

UGB has cut much of its commercial banking activities in order to concentrate on the investment side. Mr Mohsen Khaled, who has implemented the changes since becoming general manager in mid-1985, said the bank remained in a transition phase and that investments would be limited to liquid and semi-liquid outlets.

Consolidated assets shrank to $307m at the year-end compared with $502.7m at end-1985 and $1.13bn a year previously.

INTL. COMPANIES AND FINANCE

Swedish shipping group ahead

By Sara Webb in Stockholm

TRANSATLANTIC, the Swedish liner shipping group, showed a profit, after financial items, of SKr 7m ($1.1m) in 1986 compared with a profit of SKr 67m the previous year.

However, profits before taxes and allocations increased strongly to SKr 263m, against SKr 51m in 1985, chiefly because the company has reaped extraordinary gains of SKr 316m from the sale of 12 roll-on/roll-off vessels and other assets.

The vessels were sold to limited partnerships and are now chartered back on a long-term basis.

Group turnover fell 21 per cent to SKr 2.73bn, mainly as a result of the falling dollar, a reduction in cargo availability and the sharp drop in cargo prices.

Swedish Transocean Lines, which accounts for 80 per cent of group turnover, showed lower profits than in 1985 while the offshore business area continued to show a loss.

Transatlantic expects 1987 to be difficult for liner shipping but said that two of its three loss-making business areas (offshore and cross-trade line Barber Blue Sea) should start to show a gain. Losses from Pacific Australia direct line should be much lower in 1987, the company said.

However, Transatlantic warned that the Swedish Government's recent decision to ban trade with South Africa would hit its Scandinavia-Southern Africa Line and affect this year's results.

CSX reports 14% first quarter decline

By Our Financial Staff

CSX, the US transportation and energy group, has reported a 14 per cent fall in first quarter net profits. For the three months, earnings fell to $73m, or 47 cents a share, from $85m, or 56 cents. Sales were ahead to $1.89bn from $1.7bn.

The latest figures includes the results of Sea-Land, a leading US container ship operator, acquired last year.

Operating income for the transport group was slightly above the 1986 quarter levels as positive Sea-Land results offset a modest shortfall at the CSX rail units.

Sea-Land reported a $8m operating profit, and results for American Commercial Lines, the barge unit, were slightly lower.

Overall, general commodity rail traffic was up 2 per cent on 1986. Domestic coal tonnage, at 32.4m tons, was slightly ahead while export tonnage was down 7 per cent.

Results for the energy division continued to be adversely affected by oil and gas price pressures, especially within its exploration unit.

This was in addition to being affected by the absence of royalty income from the coal leasing operation sold in late 1986.

However, pipeline operations kept pace with the level of a year-ago period by aggressive marketing.

Hoogovens hit by weaker $ and warns of further losses

BY LAURA RAUN IN AMSTERDAM

HOOGOVENS the Dutch steelmaker, reported that its earnings tumbled 45 per cent to Fl 154.6m ($77.3m) in 1986 from Fl 278.8m the year before on the weaker dollar and lower selling prices.

The profit plunge was in line with the company's forecast in January when Mr Jan Hooglandt, chairman, also warned of losses in 1987. Yesterday Hoogovens confirmed that it expected "an appreciable" loss this year.

The dividend for 1986 was slashed by 40 per cent to Fl 1.50 a share from Fl 2.50 in 1985.

The softer dollar not only reduced revenue when translated back into Dutch guilders but also depressed European steel prices which plunged in the second half of 1986.

Cheaper raw material and energy, which also resulted from the lower dollar, failed to compensate for its dollar decline.

Turnover dropped 18 per cent to Fl 6.09bn from Fl 7.45bn, and operating profit fell 37 per cent to Fl 375m from Fl 598.4m. Higher tax payments more than offset lower financial charges.

For 1987 Hoogovens expects sales volume to fall slightly and steel activities to suffer a loss.

A "modest profit" in existing aluminium activities and "good results" in cement plus "reasonable results" in technical services, industrial supplies and trading are nevertheless seen failing to make up for steel's losses.

In February the Ijmuiden-based company said it was negotiating to buy the European aluminium operations of Kaiser Aluminum Chemical of the US in an effort to strengthen its aluminium activities, especially in rolled and extruded products. But the talks seem to have run into delays because the two companies have yet to announce a letter of intent that was expected by the beginning of March.

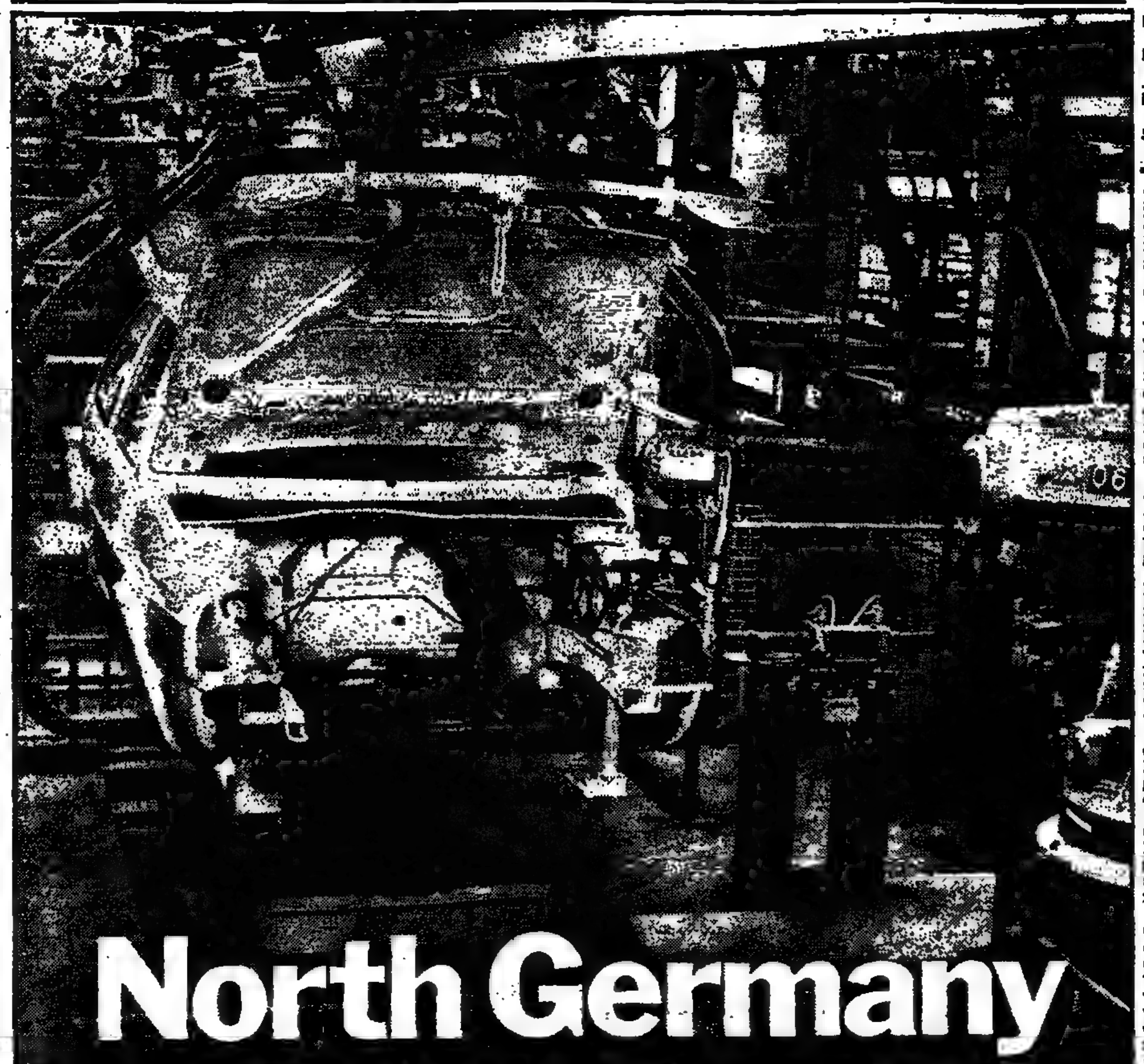
As one of the most efficient steelmakers in northern Europe Hoogovens has recovered strongly since 1984 from six consecutive years of losses totalling more than Fl 1bn before that.

FINANCIAL TIMES

SURVEY

This trading and maritime region is experiencing a retreat in its business climate as new industry settles elsewhere. More subsidies could help but differences among the political parties are making it more difficult to take the concerted action needed to influence Bonn and secure action, says **Peter Bruce**

North Germany



Robots building Volkswagen cars at Wolfsburg

CONTENTS

Economy faces deeper change

NORTH GERMANS do all the things powerful romantic novels thrive on—they build ships and go to sea in them. They fish and trade and bank. When they go on holiday, many seek out windswept sand dunes and islands further north rather than wallow in the Mediterranean sun among their southern cousins.

But the once-great north has entered a steep, though graceful, economic decline. Schleswig Holstein, Lower Saxony and the city states of Hamburg and Bremen are in danger of becoming to West Germany what the mid-west industrial belt has become in America, and the North of England is to Britain.

In Germany, the new, challenging, jobs now are in the south—in Bavaria or Baden-Wuerttemberg where new industries and technologies have found much more agreeable homes.

The great shipyards of the north employ about 35,000 people today—less than half the number of 10 years ago. In the face of intense Far Eastern competition, many yards survive almost entirely on uncommercial defence contracts.

Unemployment in the four north German states is consistently higher than the national average. Debt is everywhere. Bremen a year ago owed about DM 11,000 per inhabitant while the southern "sunshine" states of Bavaria and Baden-Wuerttemberg had comparable debts of between DM 2,000 and DM 3,000.

On average in the past three years, about 60 per cent of new companies being set up have gone to Bavaria, Baden-Wuerttemberg or the Rhineland Palatinate. Once North Rhine Westphalia, the most populous and industrialised state, takes its share, precious little is being left for the north.

It was not always like this. A century and more ago the southern laender were run as peasant economies. But because peasant farmers were forced to divide their land equally among their sons, farms grew ridiculously small and later generations were forced to look for something else to do.

What they did was go into business and, strangely, repeat the tight-knit family pattern they had learned on the land. In the late 1960s, by the time the West's (and West Germany's) shipbuilding and shipping industries had succumbed to the threat from the east, southern Germany was alive with hundreds of young companies almost perfectly poised to leave their traditional products behind and embrace new technologies.

Because West Germany has no capital city with the magnetic pull of a London or Paris, the new companies stayed where they were. Profitable electronics, luxury car and aerospace industries are concentrated almost exclusively in the south now, while the north lurches from crisis to crisis.

Not only that, but both Hamburg and Bremen lie on the way to Leningrad, meaning that as the Soviet merchant fleet increased and could also serve the West German ports, it became a serious competitor to German shippers.

A further, and critical, part of the problem, says Mr Eckart van Hooven, a main board Deutsche Bank director and its chief representative in the north, is the absence of political unity, and therefore political muscle, in the north.

Lower Saxony and Schleswig Holstein are ruled by Chancellor Helmut Kohl's Christian Democrats (CDU) while the city states of Hamburg and Bremen (including Bremerhaven) are fortresses—of varying degrees of impregnability—of the federal opposition, the Social Democrats. They all face, fundamentally, the same problem but seem unable to come up with common solutions. It is not uncommon for the two CDU laender to disagree over new investments and subsidies either.

Mr van Hooven's complaint is simple: when the Bavarian leader, Mr Franz Josef Strauss, visits Bonn to ask the federal government for more money for his state (which he frequently does), he carries with him some 8m votes. When Mr Klaus Wedermeier, the mayor and premier of Bremen, tries the same thing, his punch packs only 520,000 possible federal votes.

Mr van Hooven believes that Hamburg and Bremen should cease to exist as laender, that Schleswig Holstein and Lower Saxony's borders should merge and that North Germany become one great coastal state with its southern border stopping just short of Hanover. The idea is not entirely dissimilar to the north German federation that Bismark established in 1866 before he united the whole of Germany in 1871.

It should be said that such a coastal state would probably go to the CDU in an election now and that Mr van Hooven is also an active CDU member. Nevertheless, the prospect of a string of tiny headaches for Bonn combining to become one big one would probably have a certain appeal to the SPD too.

North Rhine Westphalia, where a third of West German voters live, is ruled by the SPD but is constantly showered with federal subsidies to keep its coal mines and steel plants alive. Would the same blessings not accrue to a big, cohesive, entity in the north? Would it be any worse?

This year might provide some answers. State elections are due in Hamburg, Bremen and Schleswig Holstein—of which the latter two are potentially ground-breaking.

The SPD is well esconced in Bremen but after failing to win an overall majority in Hamburg late last year, the Socialists have failed to form a coalition with the CDU, have refused outright to have anything to do with the all-women Greens Party in the city and face another election soon.

The Liberal Free Democrats (FDP) may get back into the Hamburg parliament this time, giving the SPD anther potential coalition partner, but the ever-increasing strength of the Greens will make them very hard to ignore. An SPD/Green government in Hamburg would sharpen the divisions in the north.

In Schleswig Holstein, the CDU state government faces elections in September and it cannot be looking forward to them. The CDU's share of the vote in the last state poll in 1983 was 49 per cent. In the general election last January, the party managed only 42 per cent.

Both the Greens and the FDP have made progress in the state in the past three years and there are also signs that the CDU is shedding some support, particularly among farmers, to the extreme Right. The prospect of a CDU/FDP coalition looks increasingly feasible.

All this would still leave the north a political patchwork. The possibility that new coalitions might form in the north make a broader political unity, on balance, harder to achieve. The lessons, meanwhile, are almost all very hard ones.

Two years ago, for instance, Bonn offered the struggling deep sea fishing fleets in Cuxhaven (at the mouth of the Elbe, and in Lower Saxony) and Bremerhaven (at the mouth of the Weser), DM 35m to help them merge into one unit.

Everyone, local politicians, operators, and Bonn, seemed to agree that a merger was the only way to save what remained of the country's deep sea fleet. Ten years before, the fleet had numbered 90 ships, now there were only 19.

The scheme withered and died because the SPD government in Bremen and the CDU one in Lower Saxony began to fight over where the new merged fleet should be based. While they were bickering, two of the remaining four (exhausted) deep sea operators got out of the business.

By the end of 1985, the fleet had shrunk to 12 ships, most of them in Cuxhaven, while Bremerhaven today struggles on with its own few boats.

Although what happened to the deep sea fishing fleet is too small a problem ever to have captured the imagination of the broad West German population, it could be symptomatic of a very deep set rot in the north.

"This could become problem number one in Germany," says Mr van Hooven. It would still be an exaggeration to call West Germany "divided" to the extent that Britain may be between north and south—parts of Hamburg are extremely rich—but the trend is unmistakeable, and, so far, apparently unstoppable.

In the face of this threat though, the hardy northerners are trying not to stand still. When a Bremen shipyard is able to steal from its British competitors a contract to overhaul the Queen Elizabeth 2, it is probably because they have worked hard to prove they can do what is required quicker and possibly cheaper.

At a political level, there is an effort currently under way to try to get the four northern laender to agree to open a combined lobby at the European Community headquarters in Brussels. As implementation approaches of the Single European Act—which will strengthen majority voting in the EEC and make it more difficult for, say, Bonn to simply veto decisions it or its laender do not like—the German states are uneasy.

Many have already opened expensive bureaux in Brussels in an effort to make their voices heard over and above whatever Bonn might be saying. The four northern states are due to decide in April whether to combine their efforts. It would be almost historic if they do. Late betting is that they will not.

Hamburg

Wealthy trade and media city

AFTER EATING dust for much of the early 1980s, the citizens of Hamburg now have a city centre they can be proud of. The bulldozers and cranes have disappeared, leaving a number of small up-market shopping malls, called "Passages," that rival and even outshine Munich, West Germany's shopping mecca, for what they offer.

The popularity of the new developments, often sympathetically housed within the walls of restored old buildings, must hearten Hamburgers. They have been smarting for months from a spate of innuendos in the southern press, notably the Frankfurter Allgemeine Zeitung, that their city is suffering a chronic decline along with much of north Germany.

Some of the warning signals are certainly there. A substantial proportion of Hamburg's office space is unlet. Moreover, residential property prices remain very depressed after tumbling three years ago.

But such signs have done nothing to dent the reputation of Hamburg, West Germany's second largest city with a population of 1.6m, as the area with the highest average per capita income in the country.

The city, like Berlin and Munich, feels every inch an international centre. On the outskirts, attractively set around the Alster lake and the River Elbe, are the imposing residences of present and former trading barons.

Closer to the centre, the Inner Alster is ringed by fine Edwardian office buildings, which testify to the city's proud—and lucrative—Hanseatic trading past.

Hamburg's money came largely from the sea. Though shipping has declined, its port is still by far the most important in West Germany, and one of the largest in Europe.

Reminders of its strong commercial links, notably with the Far East, are found throughout the city. Perhaps most striking are the "Speicher," Hamburg's famous red brick warehouses in the free port. Facing canals on one side and dry land on the other, the warehouses still play an important role in transhipping goods.

In appearance, Hamburg in many ways recalls Liverpool the famous seafaring city in the UK. But unlike Liverpool, the city has long recognised the links between creating wealth and putting it to public use.

That does not mean Hamburg has not had its political ups and downs lately. Having failed to win an absolute majority after last September's state elections, the city state's Social Democratic mayor, Mr Klaus von Dohnanyi, has had his work cut out finding coalition partners.

First came an abortive attempt to link up with the local, strongly Left-leaning branch of the environmental Green party.

When that failed, the SPD flirted with the idea of a grand coalition with the opposition Christian Democrats. Now that initiative has fallen through too, and the city is destined for new state elections in May, just eight months after the last inconclusive result.

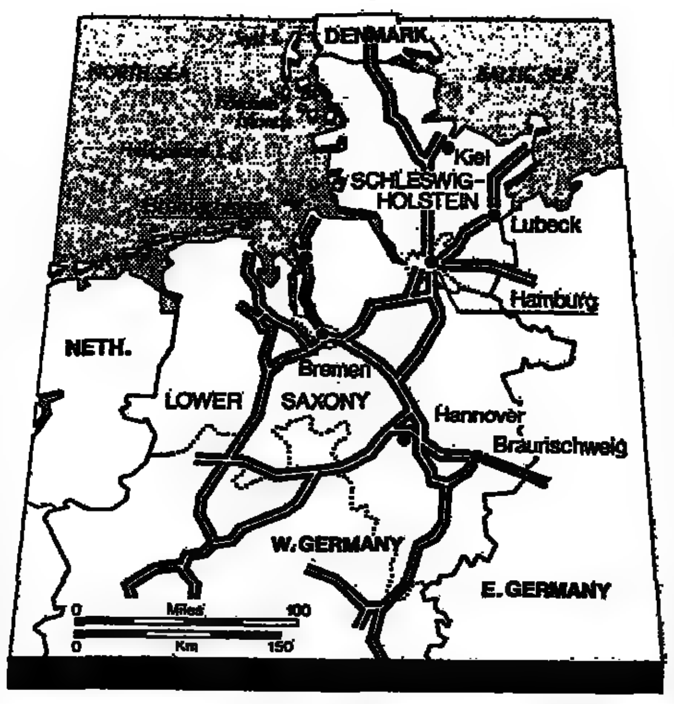
Whether it *is* Hamburg's much-vaunted Anglo-Saxon reputation for understatement, or just the dourer Scandinavian influence blowing in with the cold wind from the north, the city's wealth is sometimes hard to find. That is a sharp contrast to centres further south such as Munich or even Dusseldorf, where the money may not always be nouveau but often looks it.

Not that Hamburg has any lack of financial clout. A substantial, if shrinking, private banking community continues to play an active part in oiling the wheels of trade.

Hamburg is probably best known as West Germany's media capital. The city houses leading publishers such as Gruner & Jahr, which produces some of the country's best-selling magazines like Stern, Bunte and Quick.

The conservative Axel Springer press group, responsible for publications ranging from the conservative daily Die Welt to the mass-market Bild Zeitung is also here, along with Der Spiegel, West Germany's weekly news magazine. Then there is the independent and weighty Die Zeit, the regular Friday fix for any self-respecting West German intellectual.

Hamburg has also been making something of a name for itself as a fashion centre in recent years. Jil Sander, one of the country's leading designers, who is now branching out internationally through cosmetics, has been in the city for some years.



On the industrial side shipbuilding has fallen back sharply. However, the Hamburg region houses production facilities for the European Airbus consortium. And Lufthansa, West Germany's national airline, is a major employer through its Hamburg maintenance centre.

For many people no visit to Hamburg could be complete without a walk down the Reeperbahn, the City's renowned red light district. Patronised for generations by sailors from the harbour, the Reeperbahn, with its bars, shows, and lights, is also a money making entertainment centre that has become an attraction for a much wider public.

Whatever the southern papers may be saying about economic decline, business on the Reeperbahn seems to be doing just fine.

Haig Simonian

Hannover has much to offer beyond its industrial fair

Independent regional capital

HANNOVER IS certainly a fair city. Its outdoor cafes, pedestrians-only centre and many parks offer respite from the everyday clamour. Yet many people overlook the city in the annual rush to The Fair.

The 600,000 visitors who arrive for the world's largest industrial trade fair every April outnumber the city's 550,000 residents. Some who came to see what the 5,000 exhibitors from 120 countries offer must stay in hotels as far away as Hamburg, 100 miles north.

The main eight-day fair pits the CeBIT computer fair and a dozen smaller ones draw an estimated 1m visitors annually. Their spending is worth DM1,000m (£345m) to the local economy. For something started by a British Army colonel in 1947 to replace the Leipzig Fair, the Hanover event has grown enormously to dominate the town.

Hanover is much more than just its fair. It is the capital and biggest city of Lower Saxony, accounting for a quarter of the state's economy. It is the major Autobahn and rail intersection for north-south and east-west traffic, from Hamburg to Munich and Berlin to Cologne.

A glance at the map shows that despite its good connections, Hanover is at a major intersection in the middle of nowhere. It is the first big city encountered after leaving Berlin and crossing the East-West German border which is about 90 kilometres east.

This insular geographic feeling also applies to Hanover's politics. Hanover is where the Social Democratic Party regrouped after the second World War. Today it is a Social Democratic-run city in a state governed by Christian Democrats. The latter were re-elected by a narrow one-seat majority in the Landestag (state parliament) in last year's election.

The party split may also account for Hanover's independent nature. The SPD-run city and its officials are very actively campaigning to attract new industry, one suspects to show the CDU state government how it should be done.

Three new industrial parks are ready, and city grants can subsidise up to 7.5 per cent of a new company's investment costs, according to Mr Peter Fischer, director of the city's economic development department.

With an unemployment rate of 12 per cent-plus, higher than the national average, Hanover's workers can definitely use the jobs. The changes in industry and world trade during the past few decades forced an economic restructuring. From a 50-50 split between manufacturing and service jobs in the 1970s, Hanover's workforce is now divided 70-30 in favour of service jobs, Mr Fischer says.

Hanomag, once the centrepiece of Hanover's industry, is one of the prime indicators of this structural change. During its peak in the 1920s, Hanomag employed 25,000 workers to make its steam locomotives, lorries and construction equipment. In the 1980s, after going into bankruptcy, new owners now employ 1,100 workers to build Hanomag's construction equipment.

Today Hanover's manufacturing industry relies on Volkswagen, whose headquarters and main factory at Wolfsburg are 80 kilometres east of the city. The 20,000 Volkswagen workers in Hanover produce all of VW's trucks and vans.

Thousands of other jobs depend on auto supply companies such as tyre maker Continental, battery maker Varta or brake manufacturer WABCO Westinghouse.

One of Hanover's showpiece factories—"today's industrial symbol for Hanover" Mr Fischer says—is the highly-automated compact disc (CD) and record factory owned by Philips and Dupont Optical Deutschland.

Managed by Philips' subsidiary Polygram, the factory turns out 200,000 recorded CDs, 100,000 long-playing records, 30,000 to 60,000 singles and almost 70,000 music tape cassettes daily—seven days a week.

"The compact disc was developed here and now it's the biggest CD factory in the world," Mr Fischer says proudly.

Another symbol of Hanover's high-tech goals is the IBM microchip factory, which counts as the first tenant for the city's new Kronsberg Commercial Park situated next to the Hanover fairgrounds.

However, IBM has announced that its 17-year-old factory is to stop making microchips. Instead, the plant will be converted into a software centre, with the emphasis on training for Computer Integrated Manufacturing (CIM).

Hanover's university already claims West Germany's only government-supported CIM laboratory, with computers and machinery set up in an old printing plant. There is also a new Institute for Laser Technology in a proposed Science Park adjacent to the university.

And the city is opening a Medical Park next to the Hanover Medical College this year, which hopes to attract research and development institutes plus medical technology companies. In addition, Hanover's development office plans an Aerospace Park for aviation-related companies, to open at Hanover's airport in 1988.

All the new sites and financial support demonstrate Hanover's determination to hold on to some of the engineers from the 25,000 students attending its university. Mr Fischer forecasts that the North-South split in Germany's industrial and high tech development will soon swing back in favour of northern Germany.

"It has to change back. You can already see certain areas around Munich where companies can't find any land or trained personnel. Here we have the trained people and enough land."

When it comes to free-time activities, Hanover has a wealth of surrounding countryside, such as the Luneberg Heath to the north and the Harz Mountains to the south where the outdoor recreation includes winter skiing. The City's cultural life is dominated by its grand Opera House in the centre of town as well as its renowed Jazz Club.

In Hanover, one of the most attractive places is the Great Garden of the summer residence of the Royal House of Hanover, which was laid out at Herrenhausen in the 1660s.

The only completely preserved Baroque garden in West Germany, the Royal Herrenhausen Gardens also symbolise Hanover's close ties with England. King George I, who was first Elector of Hanover, is buried in the garden.

In the summer, outdoor music festivals featuring the music of Handel—court composer at Hanover until he followed George I to England—are especially popular. The historical ties to Britain are upheld today with a sister-city arrangement with Bristol.

Dennis Phillips

Profile: Heinzwerner Feusser

Solving problems for industry

HEINZWERNER FEUSSER is an engineer and entrepreneur whose company sells computer-controlled solutions for other people's processes.

One of his first ideas was to connect a video camera to a computer which in turn instructed a slicing machine where best to cut excess fat off hams. He later combined the same Japanese camera and American computer to direct a carpet-cutting machine making carpets for the various Mercedes models.

Feusser, 40, represents a new breed of West German entrepreneur. The technology may be Made in Japan or the US, but Feusser's engineers come up with a better way to use it. The result is a wide variety of hardware/software/interface combinations geared to solving a customer's particular problem.

Since his customers include IBM, Daimler-Benz, Volkswagen, and Varta Batteries, among others, Feusser obviously has something other companies want. His nine-year-old engineering firm, Feusser KG, expects to do about DM 8m (£2.8m) worth of business this year, a 33 per cent increase over 1986.

For all his success, Feusser has something of the "Clive Sinclair Syndrome" about him. He is an ideas person, an engineer who seldom looks back. Once a project has found a buyer, Feusser is already looking forward to the next.

While happy to show a visitor around his new assembly plant at Hildesheim, south of Hanover, Feusser only gets excited when describing the latest prototype his 50 engineers are working on.

His latest proposal, developed with his technical director Peter Mitschke, is a combination control-safety system using infra red cameras to monitor heat sensors which could be mounted on a technician's fingers. By relaying the movements to robots pre-installed in dangerous places, such as directly above an atomic reactor, the system would allow supervisors to act while far removed from danger.

"If they'd had our system, Chernobyl never would have happened. They had 45 seconds to put the reactor control rods back in, but they couldn't get in there," Feusser says in describing the system's potential benefits.

But the first customer for the safety system might be Norwegian companies working on oil pipelines far below the North Sea, he says.

Volkswagen has ordered two prototypes of Feusser's computer-controlled system used to measure and regulate car exhausts. The computer can be programmed to check a new car against standard test courses in California, Japan or anywhere else, he says. And its "intelligent sensors" can help control the engine and thus change the exhaust mixture.

The first test results look good. An initial order for one of the DM 450,000 (£155,000) exhaust control and analyses systems would be shipped to VW-Brazil, which is producing cars for the US market.

If Feusser's exhaust control and analysis software system works, as appears likely, "it will make automotive history," a VW official says. The two Feusser-built prototypes use Hewlett-Packard computers attached to sensors monitoring nine exhaust gases.

Another Feusser project already off the drawing boards and into customers' laboratories is its Bio-Comp control system. Introduced last September, the Bio-Comp monitors and regulates fermentation, checking temperature, acidity and foam against standard values programmed into the computer. University laboratories and pharmaceutical producers have 15 of the systems so far.

But it is the newest project which always excites Feusser. This month Feusser and Mitschke are off to Colorado to meet Hewlett-Packard officials. Feusser and his engineers spent three years developing a computer-run system to test the quality of computer components.

Dennis Phillips

Profile: Enno von Marcard

Doyen of the private bankers

THRICE MARRIED and still bubbling with life, Enno von Marcard at 86 is very much the doyen of Hamburg's private banking community.

Honorary president of the management committee of Marcard & Co, the private bank he took over before the Second World War and steered until the early 1980s, Mr von Marcard is something of an institution in a city where private bankers remain a special breed.

A short stroll along Hamburg's aristocratic Ballindamm, the broad avenue which runs beside the beautiful Binnenalster lake, gives visitors a history lesson in the Hanseatic city's private banking tradition. A succession of polished brass plates announce the addresses of famous private banking names like M. M. Warburg, Brinckmann, Wirtz, Berenberg, Goslar, Marcard; and Delbrueck.

Marcard & Co, which has just merged with Bankhaus Stein of Cologne, is now Hamburg's third-largest private bank with DM 1.3bn in total assets, putting it behind Warburg and Berenberg, but ahead of Delbrueck.

With its long tradition of international trade and related financial services, Hamburg boasted more private banks than any other German city at the turn of the century. But the private banking community has been shrinking steadily as families have sold out, merged or simply died off over the years, and the number of private firms still in business is now barely into double figures.

How he managed to protect the bank's assets—and those of some of its pre-war Jewish customers—during the Third Reich, is an episode which Mr von Marcard remembers as freshly as if it were yesterday.

No less vivid are his recollections of how the bank was steered back to health amid Hamburg's post-war ruins. "All we had was the shell of the building, and one of our old secretaries," he recalls.

Four years ago, Banque Indosuez, one of France's leading international banks, bought a controlling stake in the bank for DM63m. Though Mr von Marcard is only a minor shareholder today, he still puts in a daily appearance at the office to keep a friendly eye on the business.

His working day usually ends at lunchtime, however, when "Herr Baron" can often be found, feted by waiters and managers alike, at the "Marcard table" at the Atlantic Hotel overlooking the Alster.

Visitors should not be taken in by Mr von Marcard's relaxed air, seemingly a million miles from the world of business and finance. His easy aristocratic manner and immense charm belie an active business mind.

Mr von Marcard's personality shows just how charisma and joie de vivre never did a banker specialising in private client business any harm.

Marcard & Co's new French owners seem delighted to have the old boss still on board. They probably appreciate that Herr von Marcard's address book alone is worth any number of yuppie high fliers.

For in a business which still relies a great deal on personal contacts, even one of the world's giant banks can find value in having the right calling card at its disposal.

Haig Simonian

Braunschweig

Strong industrial tradition

BRAUNSCHWEIG in the Middle Ages, was Germany's largest city. From here, Henry the Lion—a man whose stature was less imposing than his name since his wife was a head taller—ruled over a kingdom whose influence was felt from Denmark to Italy. It was he who founded the towns of Lübeck further north and Munich way to the south in the 12th century.

As Germany became an industrial power, so Braunschweig (Brunswick) built up an impressive manufacturing tradition. Friedrich Voigtländer built the world's first metal camera and Heinrich Büssing the first lorry. Volkswagen, now headquartered in nearby Wolfsburg, began life in the area, which also developed as an important cultural and scientific centre.

But Braunschweig, now eagerly attracting such high-tech companies as Toshiba and LSI Logic, has been through some rough times. It was badly bombed in the second world war, after which the division of Germany robbed it of much of its natural hinterland.

More recently the city suffered from the virtual demise of its camera industry in the face of Japanese competition, though the names of Voigtländer and Rollei survive in specialist fields.

Today, Braunschweig, a city of 260,000 people, still feeds off its industrial tradition, with its skills in optics and precision engineering and its broad university and research base acting as bridges to technologies of the future. Because it is situated near the border with East Germany, it qualifies for generous regional state help to incoming companies.

That was one reason why the European operation of LSI Logic plumped for Braunschweig instead of South Wales, which was also slower to come up with an offer. Lower Saxony, the state in which Braunschweig lies, was positive in its approach, says Mr Robert Blair, chief executive of LSI Logic Europe. "They pursued LSI fairly aggressively."

To operations like LSI, investing DM 150m ($82m) in a plant at the edge of the city to build semi-custom chips, or application-specific integrated circuits (ASICs), grants of up to 25 per cent are available.

Toshiba makes powerful one-megabyte chips near where the LSI facility is being built. Commodore computers of the US and Tokyo Electric (TEC) have also set up in Braunschweig.

But money was not the only attraction for LSI, which wanted to put a plant in a big market such as the UK or Germany. It could have gone further south to Munich, which has a large concentration of high-tech companies, but reckoned labour would be harder to find. Nor would it be given such favourable terms.

"I feel that Braunschweig, if you're going to locate in north Germany, is as good as anywhere and better than most places," Mr Blain says. Less overpowering than cities like Frankfurt or Hamburg, it is "an attractive place to put your foot down." Of key importance was the fact that other high-tech companies were there.

"In our business infrastructure is very important," Mr Blain says. "We don't want to be the only high-tech company for miles."

A broad university and research base act as bridges for technologies of the future.

Moreover, he says, the manufacturing tradition in optics and precision work meant "there was a lot of hidden talent we could attract." As for communications, Braunschweig was an acceptable distance from a major airport (Hanover) and close to the autobahn.

Despite the growing significance of the high-tech companies, they are not major employers. Toshiba, for example, has taken on about 200 people and LSI will have a similar number by the end of next year, rising later to 300. By far the biggest job provider is Volkswagen, with more than 7,000 people in a factory making axles. Schmalbach-Lubach, Europe's biggest packaging concern, is also based in the city.

Adding to the diversity of Braunschweig's industry are piano makers Schimmel and Grotrian-Steinweg. Food processing machinery is also made in the city. But some big names have gone. Büssing trucks, now part of the big MAN group, are no longer manufactured there, nor is Olympia office machinery, owned by AEG (controlled by Daimler-Benz).

When Olympia concentrated activities further north in Wilhelmshaven, a big gap was left in the local job market (Braunschweig's unemployment rate is slightly above the national average of 10 per cent). But the skills remained and have led to the spawning of young companies such as Schlegel Elektronik-Systeme, which employs nearly 50 people in an elegant low-slung building complete with Japanese garden.

Udo Schlegel founded his company after he and fellow electronics specialists at Olympia decided they did not want to move to Wilhelmshaven. Olympia helped with some early contracts, but Mr Schlegel's company now works for about 20 customers in software, systems development, and precision manufacturing.

Last year, Schlegel Elektronik invested DM 5m, most of it in the attractive building and the rest in equipment, including computer-controlled machine tools. To keep skilled workers, he believes, the working environment must be as pleasant as possible, otherwise they will easily be tempted away.

One recent Schlegel development is a videotext decoder which can deal with items in Chinese and other languages. It is the sort of specialised business that Schlegel reckons companies like his can flourish in, without being overwhelmed by Japanese competition.

"Germany has to be careful not to lose out in technology; you have to try and find market niches in software, personal computer applications, and system solutions," he says.

Like other high-tech operations, he values the presence of Braunschweigl's academic institutions, with their expert advice. "We have this connection and we use it." As well as the Technical University, with 15,000 students, there are research bodies for biotechnology, applied microelectronics, aviation and space, and measurements.

With all this, though, Braunschweig nonetheless suffers from Germany's North-South gap. Some 80 per cent of Schlegel's orders, for example, come from southern Germany. Still, says Mr Ulrich Bubel, an economics expert in the city administration, "if the pendulum has swung in Munich's direction, it will eventually swing back."

Andrew Fisher

Profile: Volkswagen

Dampener on proud record

VOLKSWAGEN'S 50 millionth car, a snow white Golf, came gliding off the assembly line in Wolfsburg recently, with Carl Hahn, chairman of Volkswagen, sitting at the wheel. It was a proud moment for a company which was founded some 50 years ago and had to painfully rebuild itself from the ashes of World War Two.

But there was embarrassment mixed with the joy. Not long before the brief ceremony—drastically scaled down from the lavish party originally planned—VW had been rocked on its heels by the discovery that it had lost up to DM 480m on fraudulent currency dealings. State prosecutors are trying to establish how.

It was a bitter blow to a company which until then had been riding high.

Based at Wolfsburg in Lower Saxony and near the East German border, VW employs a total of 280,000 people, nearly half of them in West Germany and 65,000 of them in Wolfsburg alone. It has manufacturing and assembly operations in 18 countries, builds nearly 3m cars and vans a year, and has annual sales of about DM 53bn ($29bn).

Volkswagen is the fourth-largest car producer in the world and number one in Europe. Financially, it is secure enough to weather the foreign exchange losses. The real damage has been to its image, though potential car buyers are unlikely to be deterred and production in Wolfsburg is at full stretch.

Like some of Germany's other household names, VW is strongly associated with the so-called *Wirtschaftswunder* (economic miracle) of the country's post-war economic resurgence.

Nearly two-thirds of VW's plant was destroyed during the war and it took Herculean efforts, and some understanding on the part of the British occupying authorities for production to restart.

The foundation of the company's prosperity was the ubiquitous Beetle, the people's car designed by Ferdinand Porsche in the 1930s, which is still being produced (in Mexico) even today.

The first few cars put together after the war ended were assembled from parts found under the rubble. When the 10,000th was produced in 1946, one worker stuck a sign on the Beetle, which said: "10,000 Wagen, nichts im Magen, wer kann das vertragen" (10,000 cars, nothing in the stomach, who can stand it).

Of the 50m cars turned out by VW, nearly 21m have been Beetles. Early in 1972, Beetle output overtook that of Model T Fords at just over 15m. The car became a film star as Herbie, was converted into the Dune Buggy by fun-loving Americans, and became a byword for stamina, reliability, and value for money.

It was not the most comfortable car available—earlier models were positively spartan—but it was the quintessential people's car, which is what Volkswagen literally means. The last German-built Beetle was produced nine years ago; in 1985, the last Beetles sold in Europe were imported from the Mexican plant.

VW lived well off the Beetle's success in the 1950s and 1960s, but the good times could not last for ever. Much of the driving force for VW's post-war advance came from Heinrich Nordhoff, the former Opel manager who came to Wolfsburg in 1948.

He initially dismissed the Beetle as having "more faults than a dog has fleas," and then set to work to make it a success.

Nordhoff died 20 years after joining VW and his successors had a hard time trying to find modern replacements for the ageing but seemingly indestructible and ever-popular Beetle. Losses were made in the early 1970s and mass redundancies decided on by Mr Toni Schmücker, the lean, pipe-smoking chairman who joined VW in 1975.

Fortunately for the company its new Golf hatchbacks, Passat, Polo and Scirocco models went down very well, though the Golf had early teething problems. The company quickly recovered and began rapidly rehiring. Nearly 9m Golfs have been built since production started in 1974.

At Wolfsburg, the bulk of the assembly work on Golfs and Jettas (which have a traditional boot) is carried out in the ultra-modern Hall 54. VW invested DM 550m in the facility, opened in 1983. It forms part of the largest interconnected car plant in the world under one roof, producing nearly 4,000 Golfs, Jettas, and Polos a day.

The two-storey Hall 54 incorporates the latest in assembly and materials handling technology. More than 60 orange robots are dotted around the hall, nodding, weaving and turning like big metallic insects as they lift batteries and spare tyres into car bodies, or fit fan-belts on to engines.

Other automatic machinery carries out more awkward and heavy tasks, as individual parts are combined into whole engines and gear shafts and lifted into the bodywork.

VW has automated about 25 per cent of this final assembly work. The main manual tasks for the 4,300 workers in Hall 54, with two shifts, involve the installation of electrical equipment and instruments; the heavy lifting work is all done for them.

Today, Wolfsburg, with 130,000 inhabitants, is a clean, modern and bustling town, certainly not pretty—ugly blocks of flats greet the incoming motorway driver—but wholly dependent on its resident carmaker. Thus the news of the foreign exchange losses and fraud, announced by Carl Hahn, the present chairman, caused as much consternation and outrage in the town as within the company.

It will take some time for the shock to recede. But VW should have plenty of future anniversaries to celebrate in style. Mr Hahn reckons the company has only 15 years to go, until the year 2002, before the 100 millionth car is made.

Andrew Fisher

Shipbuilding employs fewer workers but is still highly competitive.

Yard skills revealed in prestige QE2 refit

LLOYD WERFT Bremerhaven offers its workers something unmatched by most of the world's shipyards—more work than they can handle.

For the past six months the yard's 1,200 workers, supported by an additional 500 welders, electricians and skilled craftsmen drawn from other local yards, have been putting in a 56-hour, six-day week to refit the British liner Queen Elizabeth 2.

The DM320m (£114m) contract, won against fierce international competition, is ranked as the biggest conversion job in shipbuilding history. It involves the replacement of the vessel's original steam turbines with nine powerful and economical diesel engines developing an aggregate 130,000 horsepower.

One reason that Lloyd Werft won the contract was its proven ability to work under deadline pressure. In 1984 the shipyard completed a DM16m refit of the QE2 in 11 days. And the West German trade unions' willingness to work the rigorous refit schedule—no holidays except for a week off between Christmas and New Year—must have been crucial.

The company's director, Mr Eckart Knoth, with a computer printout on the wall showing the daily work progress, shifted his office to Cabin number 2072 on the QE2 when the Cunard Line's vessel arrived last October. He remains confident that the yard will meet the April 25 deadline.

While the QE2 conversion is an internationally important contract, bringing prestige and publicity, Lloyd Werft, part of the Bremer Vulkan shipyard group, is already well known for such work. The shipyard has converted more than 40 passenger liners during the past 14 years, including turning the liner France into the Norway and adding a new centre section to the Royal Viking Star.

The shipyard has the benefits of the North Sea harbour's extra large Kaiserdock I and Kaiserdock II drydocks. And it hired a massive floating crane to remove the QE2's funnels, lift out 4,500 tons of old equipment, including the steam turbines, and replace them with the huge new propulsion plant.

Two new 350-ton electric motors were lowered into the QE2's engine room in mid-December. They are linked to nine new generators, each of them operated by a separate diesel engine. The 130,000hp system can be operated by one engineer, who monitors everything from a control room. The engine room itself is unmanned.

The new propulsion system will boost the passenger liner's top speed to 32.2 knots while consuming 50 per cent less fuel. Even the ship's exhaust gases will now be recycled, with heat utilisation of 74 per cent. Annual fuel savings alone should amount to an estimated DM20m (£7m).

To make sure everything would go according to plan, Lloyd Werft built a life-size mockup of the liner's engine room to test the installation sequence.

More interesting for the 2,000 passengers and 1,000 crew will be the new shopping arcade inside the vessel, plus the addition of a satellite communications system, permitting direct dialling from each of the 1,000 passenger cabins.

In addition, eight new penthouse suites have been added to the top Signal Deck, with teak decks for all their balconies.

Finding all the skilled craftsmen to do this work and adding to the workforce as necessary is one reason Bremerhaven's shipyards win over foreign competition.

Lloyd's apparent ability to expand as needed was vividly demonstrated last December when the Canberra arrived in Bremerhaven for a quick overhaul and refit, docking only a few hundred metres from the QE2. Even after the QE2 sails in April, future prospects look good, with Lloyd Werft reporting more than DM 800m (£285m) worth of conversion and refitting orders on its books.

The ability of Bremerhaven's shipyards to meet tight deadlines comes from the cooperation agreement between Lloyds and Bremerhaven's largest shipyard, Seebeck Werft, which has 2,200 workers. In addition, the Bremer Vulkan group includes Bremerhaven's Schiffbaugesellschaft Unterweser (SUAG), which has 1,000 workers.

To emphasise the international importance West Germany attaches to the QE2 contract, Foreign Minister Hans-Dietrich Genscher has been asked to officiate when Lloyd Werft hands the liner back to Cunard on April 25. The bands are certain to be playing.

Dennis Phillips

Heligoland

Trying to take itself seriously

IT'S A MAN'S world on Heligoland. In a small pub on this cold and lonely North Sea rock, a few grizzled, sea-scarred locals are having an argument.

"You could give me 25 beers and korn (schnapps) and I'd still be standing here. Ask anyone."

"Looking at your stomach I'm sure you could but . . ."

A third man enters the fray, shouting: "You should try hard-boiled eggs. Hard-boiled eggs. Fifty of those'd put you in hospital for six months. I heard of someone who ate 50 hard-boiled eggs. Six months in hospital."

This latter statement has come from a lively, near toothless, figure who turns out to be an 85-year-old shopkeeper. Later he leaves, saying he is going to a disco.

Heligolanders claim it is the air, 40 kilometres off the mainland coast, that keeps them young. But they are famous leg-pullers, and the old man may not be 85.

The island itself is a wedge of red sandstone, rising suddenly between 30m and 40m out of the sea. It takes about 30 minutes to walk around the edges of the *oberland* on top where most of the 1,900 islanders live.

An *unterland*, consisting mainly of reclaimed land, boasts a harbour, marina (under construction) dozens of small pensions and duty-free shops, a football field, swimming pool, spa, power plant, aquarium and desalination plant.

Heligoland (Holy Land) was still part of the British empire when Hoffmann von Fallersleben, in exile on the island, wrote the current German national anthem (it starts with the now forbidden words "Deutschland, Deutschland ueber Alles") in 1841.

Britain, which took Heligoland from the Danes in 1807, exchanged it for some land near Zanzibar in 1890, thereby handing the German Navy a strategic prize which it used to great effect in both world wars. As a result, though, the British bombed the place to pieces towards the end of the Second World War

Today, some 500,000 people visit Heligoland every year, usually summer day-trippers brought over by ferry. The canny islanders, who make a neat living renting out accommodation to those who want to stay over, foiled an attempt by a Hamburg shipping group five years ago to build a big hotel and leisure complex on the *Unterland*.

"They would never have come to us to shop," complains Mr Henry Kaufmann, a local jeweller who helped organise the campaign against the complex. The people brought over by the shipping group would have shown their faces "just to take few pictures of the locals," he says.

Now though, there are new plans to build a hotel complex and the resistance of the Heligolanders is much lower. Fewer people are visting the island — nearly 800,000 came in 1970 — and its ageing spa facilities need costly repairs or must be replaced. The local hospital, built on the premise that many beds would be filled by tourists, has had to be sold off to a private clinic operator because of the fall in visitors.

The hopes of people like Mr Kaufmann now rest on the clinic operator, Paracelsus, agreeing to build a big health "rehabilitation" centre and "sport" hotel on the north east *Unterland*. That would not only bring monied people to the island, but also secure its reputation as a serious spa.

Peter Bruce

Sylt island, with its beaches, is almost a national treasure

Summer playground for the rich

THE SOUTH of Germany may have Munich and the Alps but there is nothing there quite like Sylt. Its white, sandy beach stretches the entire 40km length of the island on the western side and must rank among the best in the world.

In season, the 300,000 West Germans who flock there will spend about DM 500m among a local population of about 25,000 who have come to regard themselves as the guardians of a national treasure.

Sylt, a spit of land just off the west coast of Schlesvig Holstein, is the summer home to the rich and famous in West Germany. Marlene Dietrich used to holiday here. So did the late Axel Springer, the Berlin newspaper magnate. Peter Boenisch, a colourful personality and Chancellor Kohl's chief spokesman for a while, married on Sylt last year.

The Deutsche Bank keeps two smart white homes on the beach—one for board members and the second for other senior personnel.

This all started in 1855 when a Hamburg doctor, Gustav Ross, stumbled on the place. He took one look at the beach, sniffed the air and knew he had found the perfect spot to take patients for their annual *kur*, or spa treatment. By 1858 the first hotel had been opened in Sylt's capital, Westerland, and 232 plucky visitors had braved the land and sea journey.

Mass tourism probably started though after 1927, when the Government in Berlin finally finished the Hindenburg Dam, an 11 km-long dry (rail) link to the mainland—a promise made to Sylt to stop it voting after the Great War to become part of Denmark.

In the mid-1930s a tradition became established for which Sylt has become perhaps the most famous resort in Germany. People began to bathe and sun themselves in the nude. Today, 60 per cent of Sylt's visitors will take their clothes off on one of the island's numerous nude, or FKK (freikoerperkultur) beaches, says Mr Guenther Schroeder, the director of tourism.

"All this nudism," says one Sylt offical perhaps too defensively, "we've grown up with it. It's got nothing to do with morals. There's nothing less erotic than a naked person. In England you hide behind bushes." Nevertheless, only the very best bodies adorn the island's glossy literature.

Apparently, the most chic place to be seen without your clothes on is at Buhne 16, a pier close to where the Deutsche Bank has its two holiday homes and close to the very exclusive town of Kampen.

Kampen is where the really rich and famous stay. The reasonably rich and famous have to fight it out with people about to become rich and famous (or who have already been) for available space in the hotels and pensions of Westerland, Wenningsted, Hoernum, Ratnum, Keitum and List. Kampen, exquisitely laid out with cottages of red brick and thatch, is so exclusive that none of the homes have numbers.

Sylt draws most of its tourists from northern Germany, Berlin and the Ruhr. There are hardly any foreigners on the island except perhaps a few Swedes.

Only 5 per cent of visitors come from Bavaria and there are a number of possible explanations for this. North-South rivalry in Germany is strong and while northerners make no attempt to hide their fascination with Munich, the Bavarian capital, the Bavarians seem far less confident about venturing north.

Another reason may simply be a natural Bavarian aversion to waves and wind—perfect conditions on Sylt are reckoned to be 23 deg. C air temperature, 19 deg. C in the water, a one metre swell and a Force Five wind on the beach.

"Foreigners call a Force Five a storm," says a tourist guide, "in Westerland we wait until Force 12."

Probably the most terrifying thing that could happen to a Bavarian on the island though would be to be spoken to in the local Fresian dialect. Bavarians love to tease other Germans with their own dialect but the Fresians, both on Sylt and with the *plattdeutsch* of East Fresia, are the nation's true masters of incomprehensibility.

Knowing when they are beaten, Bavarians flock to the Mediterranean in the summer, which probably suits the Berliners, Hamburgers and Dusseldorfers who visit Sylt just fine.

Peter Bruce

Luebeck

Bringing world to its door

LUEBECK, north Germany's medieval red-brick city, boasts a collection of spires which seem not simply to be dreaming but lost in space and time.

The city has always had an air of other-worldliness about it. For much of its 800-year history, although made wealthy and influential through its international trading links, it has remained aloof from the rest of Germany. It was brought into the Prussian Reich only in 1937.

Now, after the post-war division of the country, Luebeck is no longer a trading crossroads but a comparative backwater.

The city is redoubling efforts to bring the world to its door—no longer in the shape of fish, furs or salt merchants of the Middle Ages, but rather as tourists from northern Europe seeking calmness and solace among its steeples.

With a thriving port which ranks as West Germany's major gateway to the Baltic and Scandinavia, Luebeck has built up its reputation above all in ferry traffic. A total of 22 ferries connect with 16 harbours in Denmark, Sweden, Finland and Poland.

The city is making big efforts to ensure that tourists from the north stay on rather than simply pass through to sunnier climes in the south. Apart from Scandinavian visitors, it has registered increasing popularity among Americans, Japanese and Chinese, says Mr Robert Knueppel, the mayor.

Mr Knueppel slips his visitor a tray of the city's traditional marzipan while talking in the ornate city hall—which originates from the 13th and 14th centuries. Outside, as he gestures to the window, is the Marienkirche (St Mary's Church), where J. S. Bach played the organ.

The church, almost completely burnt out during bombing in 1942, has been rebuilt and restored—with a new modern organ now installed.

To keep up the musical tradition—and provide another attraction for tourists—Luebeck in the next few years will build a DM 60m concert hall. Schleswig Holstein already has a strong annual music festival and one day Luebeck could even rank as the Bayreuth of the North, some hope.

All this effort is necessary in a sense to fill a vacuum. Luebeck has had to live since the war with the loss of its traditional hinterland to the East, now sharing a 40 km border of barbed wire and watchtowers with East Germany.

With the economy hit in recent years by the decline in traditional industries such as shipbuilding—unemployment in the city is about 14 per cent—Luebeck faces a host of new challenges. A major preoccupation is to find jobs for shipyard workers, and the city is investing high hopes in job conversion schemes to retrain employees in fields like environmental technology.

The plan is to create 700 to 1,000 new jobs in the next five years to counter an inevitable rundown among the 4,000 currently employed in the shipyards.

Before the war, half of Luebeck's total economic activity used to be geared to the closed-off area now on the eastern side of the divide.

Mr Knueppel, in office for 11 years, has learnt from experience not to attach too great hopes from any possibility of a resurgence in East-West trade, or any other links. Although Luebeck has forged contacts with Riga and Gdansk (Danzig), relations with East Germany remain frozen.

Mr Knueppel wrote a year ago to the town council at Rostock, eastwards along the coast, suggesting some sort of "twinning" link and still has not received an answer.

David Marsh

The docks in Hamburg, north Germany's key trading city. Hamburg remains a wealthy centre despite the shift of industry and trade with its economic effects on the north

UK COMPANY NEWS

GROWTH IN EUROPE AND NORTH AMERICA

Reckitt profits up 18% to £145m

BY RALPH ATKINS

STRONG PERFORMANCES from Europe and North America helped push Reckitt & Colman's pre-tax profits up 18 per cent to £145.11m in 1986.

Pre-tax profits from North America increased by 59 per cent to £16.2m while Europe saw a 51 per cent increase to £23.2m.

Turnover for the household goods, food and pharmaceutical group rose from £1.27bn to £1.33bn. Earnings per share increased from 48.22p to 57.83p.

Last year saw a full year contribution from Airwick, the air freshner maker acquired in 1985. New acquisitions in 1986 included Durkee Famous Foods and Rerb-Ox, which were added to the foods and wines division, and Gold Seal, which contributed to the household goods and toiletries division. All three are based in the US.

The acquisitions made in the second half of 1986 cost £175.06m financed through borrowings. This, together with £55m of the Airwick purchase price pushed interest charges from £1.93m to £7.91m in 1986.

Mr John West, chief executive, said the acquisitions the group made in North America have left scope for reorganisation.

"We have made substantial provisions for closures, redundancies and re-shaping, all of which is going to keep us pretty busy during 1987," he said.

Mr West said the group was always on the look out for further acquisitions which would fit with its existing interests but may also consider disposing of some operations.

"There are things that other people may be able to make sweat better than we can," he said.

The household goods and toiletries division, helped by the Airwick acquisition, contributed pre-tax profits of £77.1m on a turnover of £648.5m. This compares with £57.3m on turnover of £584.8m in 1985.

Adverse exchange rates, however, hit the food and wines division. Pre-tax profits fell from £31m to £29.8m on turnover down from £441.1m to £426.0m.

The division saw the sale of Gale's honey and lemon curd business to Rowntree for £11m cash. The group hopes the Durkee and Herb-Ox acquisitions will give an opportunity to increase margins in 1987.

The pharmaceutical division increased pre-tax profits from £24.1m to £25.2m on sales up from £119.6m to £124.0m. Exports, mainly to Europe and the Middle East, increased by 18 per cent.

The group's tax charge rose from £46.2m to £54.3m but as a percentage of profits remained at 37.4 per cent.

A final dividend of 11.75p is proposed making a total for the year of 18.5p compared with 16p in 1985.

See Lex

Guinness Peat and Equiticorp in first meeting

By Terry Povey

FOLLOWING A "peaceful breakfast" yesterday, merchant bank Guinness Peat and New Zealand investment company Equiticorp retired to opposite corners to await developments.

Equiticorp also confirmed that it had acquired a 25.5 per cent stake in Guinness Peat for some £83m. Most of the 75.7m shares purchased by the New Zealand group were acquired from life assurance company UK Provident for 110p a share.

According to Mr Grant Adams, chairman of Capitalcorp, a Hong Kong subsidiary of Equiticorp through which the stake in the UK merchant bank was purchased, yesterday's meeting with Mr Alastair Morton, Guiness Peat's chairman, was "purely introductory."

"We finalised the purchase of shares from UK Provident late yesterday afternoon and wanted to meet with Guinness Peat as soon as possible to stress that we are a friendly party and have no aggressive intentions," Mr Grant said.

Equiticorp, New Zealand's tenth largest company, with a market capitalisation of £347m, was keen to allay any fears that it would not abide by the rules.

"We met with Bank of England officials last week and told them of our interest in buying the UK Provident stake," Mr Grant said. "Our approach is to be totally co-operative with the regulatory authorities wherever we are."

Later this year, when the Banking Act becomes law, the Bank will have the power to vet all stakes in UK banks in excess of 15 per cent and would be able to order disinvestment in extreme cases. The "fit and proper" provisions of the new Act can b applied retrospectively, the Bank made clear yesterday.

Declining to comment on this specific case in detail, a Bank official said that Equiticorp's statement that current banking legislation did not provide for any vetting of shareholders with holdings in excess of 15 per cent was "strictly true."

Mr Morton said after his meeting with the New Zealanders: "I told them that I did not think much of the fact that they had not spoken to us before taking the stake—now it is up to them to show that they have the ability, the means and the staying power to contribute successfully to Guinness Peat's development."

Guinness Peat closed up 6p at 107p last night after the news of the Equiticorp stake. The New Zealand group paid for breakfast.

● Equiticorp's only UK investment other than Guinness Peat is a joint holding of 1.4 per cent in Ultramar with fell ow New Zealand investment group Rainbow Corporation.

Debenhams helps Burton meet City expectations

BY NIKKI TAIT

Burton, the retail chain which has outlets ranging from Top Shop and Top Man to Principles and the Debenhams group, yesterday unveiled a 24 per cent increase in pre-tax profits to £92.2m for the six months to the end of February—in line with City expectations.

Sir Ralph Halpern, chairman, said that the Debenhams acquisition was beginning to pay off and that over the next five years the company intended to double its shares of the womenswear and meanswear markets to about 16 and 26 per cent respectively.

He remained non-commital on the company's acquisition plans—recent rumours have suggested a move in the US—but confirmed Burton's intention to offer its own share-dealing service in certain stores later in 1987 to boost financial services generally and to push into mail order.

He remained silent on whether the company intended to ask shareholders to increase the £2.5m cap on its controversial share option scheme.

The figures themselves were complicated by the restructuring of the group's debt—in particular, the £100m sale-and-leaseback deal undertaken last August.

Mr Michael Wood, finance director, said this reduced the group interest charge by £8m

Sir Ralph Halpern, Burton chairman

—accounting for the bulk of the fall from £17.7m to £9.4m—but raised rents paid by the company by about £7m.

Accordingly, the reported trading profit from on-going businesses went up from £88.8m to £101.6m, split into £59.6m (£49.2m) from the "core" interests and £41.1m (£38m) from Debenhams. But once the increased rental charge was added back, Burton said underlying trading profits in the core business were £63.1m and in Debenhams, £44.6m—£108.6m overall.

Sales from the on-going businesses rose from £588.3m to £680.9m, again split between £393.6m (£328.9m) from the core interests and £257.7m (£224.9m) from Debenhams.

That meant that the trading margin in the core interests merely nudged ahead from 15 to 15.1 per cent on an unadjusted basis, but after the adjustment rose to 16 per cent. At Debenhams, the figures were 15.9 per cent to 16.9 per cent unadjusted, and 17.3 per cent adjusted.

During the first half about 200,000 sq ft of sales space was added, and another 400,000 modernised. Capital spent in the current year is estimated at £170m—£67.2m in the first six months—with more than half of that going on Debenhams' stores.

However, Mr Wood added that he expected year-end gearing to remain at about 30 per cent, with about £220m of long-term debt offset by £50m of cash.

The tax charge for the first half went up from £27.5m to £32.3m. Earnings per share were 27 per cent higher at 10.9p and the interim dividend increased to 2p (1.6p).

Yesterday, Burton shares eased back 3p to 294p.

See Lex

UK homes growth lifts John Laing

A SIGNIFICANT growth in its UK homes division helped John Laing, construction engineer, to lift pre-tax profits from £34.13m to £38.12m—a rise of almost 12 per cent—in 1986. Turnover moved ahead from £817m to £878m.

The recommended final dividend is 6p (5p), making a total of 8.5p (7p) for the year. The directors are also proposing a one-for-two scrip issue.

Mr Martin Laing, chairman, said that the roup's UK construction activities had achieved a satisfactory result despite competitive conditions.

The building and engineering division had experienced a reduction in profits largely because of overseas operations.

UK home sales were proceeding well in the opening months of 1987

The homes business in California progressed well, the property development activity had made it first significant profit.

Trading surplus and turnover by activity was as follows: building and engineering—£11.99m (£14.84m) on £692.1m (£683.3m) turnover; homes — £21.36m (£12.92m) on £136.2m (£93.3m) turnover; property development — £2.61m (£71,660) on £15.7m (£16m) turnover; and products and other trading — £569,000 (£514,000) on £33.6m(£30.4m) turnover.

The UK provided a trading surplus of £32.53m (£23.52m) on turnover of £775.1m (£702.3m), while overseas turned in £5.61m (£4.93m) on turnover of £102.8m (£113.7m).

After tax of £13.22m (£14.78m), earnings per share rose from 35.8p to 45p.

Weir ahead and calls for £10.9m

The Weir Group, the engineering company, reported pre-tax profits up by 67 per cent in 1986. It also announced a one-for-seven rights issue to raise about £10.9m.

Profits rose from £9.03m to £15.05m on turnover that increased from £139.77m to £148.58m.

Lord Weir, chairman, said the proposed final dividend was lifted to 2.5p (2.125p), making a total of 3.5p (2.875p) for the year.

He said the group intended at least to maintain the total dividend at 3.6p for 1987.

Profits were boosted by exceptional credits of £3.73m (nil) comprising the surplus on the disposal of the company's holding in Yarrow and Delas-Weir.

The group's interests contributed to the year as follows: engineering products—£7.17m (£7.09m) on turnover of £113.04m (£115.78m); engineering services—£3.51m (£3.55m) on turnover of £40.45m (£36.09m); and steel foundries —£1.7m (£1.79m) on turnover of £33.45m (£37.87m). In October, Weir sold its steel foundry interests to William Cook for £9.3m cash.

Strong cash generation of £23.4m had been derived mainly from the disposals which had taken place during the year. As a result gearing, which had been at 25 per cent at the start of the year, had been eliminated.

The rights issue of 7.156m 25p ordinary shares at 157p each was designed to provide funds to enable the group to redeem its outstanding £10m of 10 per cent preference shares as soon as possible.

Weir group companies contributed £9.09m (£7.65m) to the profits while associated companies chipped in with £2.88m (£3.75m); interest receivable amounted to £645,000 (£2.37m). Tax totalled £4.03m (£2.72m) and minorities took £90,000 (nil). Extraordinary items amounted to £1.72m and consisted of the surplus from the sale of the steel foundry subsidiaries.

Earnings per share moved up from 11p to 20.3p including exceptional items and 14.3p excluding them.

● comment

Paying £1m a year out of taxed earnings is an expensive way of borrowing £10m, and for Weir to have redeemed just the first tranche of the preference stock would have left it with little scope for soaking up the goodwill accompanying any acquisition. Weir's cash call therefore made sense, so although it took the market by surprise, the shares shed only 4p to 174p. The trading picture is confused by the company's hectic programme of disposals—some £31m worth during the year—but teh core activities of engineering products and engineering services both performed well. With around £13.5m in sight for the current year, the shares do not look demandingly rated on a prospective p/e of 10½. The outlook for power station work holds out good prospects for Weir's pumps business, and with £20m to spend on acquisitions, there could soon be a further spurt of interest in the stock. The rights are attractive.

Charterhall deal with RTZ

BY LUCY KELLAWAY

Charterhall, the UK oil company controlled by Mr Russell Goward's Westmex, yesterday announced the sale to Rio Tinto-Zinc of North Sea oil assets for £3.2m in cash.

The assets consist of a unit in the Forties field and three newly licensed blocks in the southern North Sea.

Both companies said yesterday that the deal would add to their tax efficiency as Charterhall, unlike RTZ, had no exploration expenditure to offset against the Forties petroleum revenue tax liability.

Charterhall is retaining its other oil assets including its stake in the Buchan field. It said from now on it would concentrate its oil and gas activities on appraising discoveries on blocks 22/5b and 29/5b.

Since Mr Goward took control last year, Charterhall has been diversifying into other areas including leisure. However, the company yesterday denied that it had any plans at present to reduce its oil interests further.

Southampton IoW

As a result of a news agency error, the FT of March 30 incorrectly reported that earnings per share of the Southampton, Isle of Wight and South of England Royal Mail Steam Packet fell from 39.57p in 1985 to 5.75p in 1986. In fact, earnings rose to 54.75p.

Singapore offering by USH offshoot

Avimo Singapore, subsidiary of United Scientific Holdings, the UK defence contractor, is to raise S$32.8m (£9.6m) with a share offer on the Singapore stock exchange.

The offer of 18.75m new shares at S$1.75, representing 25 per cent of enlarged capital, puts a £38.4m market value on the Singapore company, which makes night-vision systems.

N. M. Rothschild will lead-manage and underwrite the issue, which will mark Avimo's debut on the Singapore exchange. Development Bank of Singapore is co-manager.

The company was set up in 1974 and enjoys tax free pioneer status until 1991.

Cookson rises to £94.5m and betters its forecast

BY TONY JACKSON

Cookson, the specialist metals and chemicals manufacturer, has beaten its own rights issue forecast of two months ago with pre-tax rights of £94.5m, an increase of 40 per cent in 1986.

Tioxide Group, the titanum dioxide manufacturer in which Cookson has a 50 per cent share, provided slightly more than half of the group's pre-interest profit of £116m, raising its contribution from £42.5m to £59m.

Group sales, including the share in related companies, were 12 per cent ahead at £972.1m. Earnings per share were 18 per cent higher at 42.8p, and the final dividend has been raised by 12 per cent to 6p net, as promised at the time of the rights issue, making 8.75p for the full year.

Mr Michael Henderson, group managing director, said Cookson America had contributed pre-interest profits of £23m against £19m in the previous year, with acquisitions accounting for some £4m. Metals and equipment had done well, and ceramics and chemicals had had a good year, despite only modest improvement in the electronics market.

The ceramics and antimony division had made £16m, compared with £11m in the previous year, and Cookson Fry had made £12m compared with £8m. The materials division, with a first full-year contribution from the Horsell acquisition, made £9m compared with £5m. The contribution from surface coatings had fallen from £6m to £1m, chiefly because of disposals.

There were extraordinary costs of £7.2m, half of which related to getting out of two businesses in UK tin-smelting and ceramics on the West Coast of the US, Mr Henderson said. Writing down of base stocks in tin to reflect lower world prices had given rise to a further £3.6m.

The current year had started at an encouraging level, the group said, with increased profitability so far being achieved. The shares rose 23p to 596p.

● comment

Cookson still has the air of a stock with a limited following, but given a market capitalisation now through the £-bn mark they must be followers with deep pockets. With the benefit of £160m in rights monye, if nothin gelse, profits this year look headed for £130m, at which level the shares are on a prospective multiple of only 12. Given the growth record and an apparent knack for picking winners on which to spend that £160m, the rating seems mostly due to the perception of titanium dioxide as a cyclical commodity. This leaves out of account the fact that the big world players in TiO2 are now down to four, giving the prospect of what the chemical industry euphemistically likes to call an orderly market for the rest of the decade. The rest of the group can meanwhile set iself the agreeable task of keeping pace.

Tioxide jumps by 48%

By Tony Jackson

Tioxide Group, the titanium dioxide manufacturers owned jointly by Cookson Group and Imperial Chemical Industries, raised its pre-tax profits by 48 per cent from £77.39m to £114.35m for the year to December 1986. Sales were 19 per cent ahead at £506m.

Prices of titanium dioxide, a white pigment used chiefly in paint manufacture, have risen sharply over the past two years after reductions in supply and continued rises in demand.

Mr John Pitts, chairman of Tioxide, said prices in 1986 had risen approximately in line with inflation, with the increase in margins chiefly due to higher throughput and lower energy costs. Volume increases had remained "in single figures per cent."

"The current year is making good progress," he said. "We are expanding our capacity as fast as we can, and we are currently able to sell everything we make."

There were no immediate plans for new green fields capacity, he added. De-bottlenecking of existing plant would add 100,000 tonnes, or 20 per cent, to the group's capacity over the next few years. "We have a large number of manufacturing sites around the world, and expansion on those is the quickest way as well as being very low cost."

L and M surges by 42%

BY PHILIP COGGAN

London and Manchester Group, the industrial life assurance group, yesterday announced a 42 per cent surge in post-tax profits to £9.36m (£6.58m) in the year ending December 31, 1986.

Mr David Jubb, the chief executive, was pessimistic about the general prospects for the life assurance industry in the light of the regulatory changes stemming from the Financial Services Act. New rules about cold calling and tied intermediaries are likely to make the market much more competitive, he believes, and could cause a contraction of up to 10 per cent in sales of life assurance products.

L & M is closing its general branch which caused losses of £547,000 last year and a rationalisation cost of £893,000 will be taken below the line. The group will continue to offer general insurance products via an arrangement with Allstate Insurance.

In June, the group purchased Leslie Lintott, a commercial property agency, for £5.2m and the acquisition added £375,000 to profits in the six months it was included.

Life premium income was £147.3m (£132.6m) and general premiums written were £12.14m (£10.82m). Ordinary branch profits were 31.3 per cent higher at £5.12m (£3.9m) and industrial branch profits increased 16 per cent to £2.66m (£2.29m).

The final dividend is being set at 4.818p (3.92p) making a total of 7.16p (5.95p).

● comment

Life is no longer quite so assured for life assurance companies and London and Manchester, once the scourge of the investment trusts, has lowered its profile in the wake of the proposed SIB rules. In 1987, the elimination of the general insurance losses, a full year from the property agency and the disappearance of a non-recurring charge on mortgage profits should combine to add another million to profits; throw in a dash of organic growth and post-tax profits should hit £11m. The steady diversification of the group has added protection against problems in life assurance but it also has made L & M a more tempting bid target. This adds spice to the prospects for the share price, currently up 11p at 226p.

CHRISTY HUNT, machinery manufacturer, reported pre-tax profits of £33,000, against £55,000, on turnover down from £2.78m to £2.51. Earnings per share came out at 0.8p (1.5p) after a nil tax charge.

Media Technology in talks with Lee Intl.

Shares in Media Technology International, a USM quoted film camera and lens company, closed up 15p at 128p following an announcement that talks were on which may lead to an offer from Lee International.

Media Technology is a former division of Lee International, which manufactures and rents lighting equipment. Lee currently owns 3.29m shares or 29.9 per cent of Media's capital.

PICT PETROLEUM: No dividend for six months to end December 1986. Sales of oil and gas £609,300 (£1.57m). Attributable loss to shareholders before and after tax £256,000 (£73,000 profit). Deficit per £1 share 3.02p (0.86p earnings). Loss is stated after writing off exploration expenditure of £114,302 (£28,000). Shares traded on USM.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
J. Billam	2.4	—	2.13	3.96	3.53
A. & C. Black	7.25	—	6.75	10.75	10
Burton Group ......int	2	July 24	1.6	—	5.7
B.S.G. International	†0.89	July 1	0.72	1.37	1.1
Coates Bros	4	July 1	3.2	5.7	4.6
Cookson Grp	†6	July 3	5.35	8.75	7.75
Druck ......int	‡2	May 20	1.8	—	4.4
Empire Stores	3.25	July 1	3.25	4.75	3.75
Ferry Pickering ...int	1.6	—	1.4	—	3.5
Gabicci ......int	‡1.1	May 29	1	—	3
John Laing	6	May 29	5	8.5	7
London & Manchester	4.82	June 5	3.92*	7.16	5.95*
Marley	†2.7	May 29	2.35	4.1	3.75
Wm Morrison	1.2	May 22	1	1.6	1.35
Musterlin Group	‡2	—	—	3	—
Portals Holdings	5.75	—	4.83*	8.5	7.33*
Reckitt & Colman	11.75	July 2	10	18.5	16
Scanro	†‡1	Aug 10	2.5	2.5	4
Sherwood Computer	‡2.5	—	2	3.75	3
Weir	2.5	May 22	2.18	3.5	2.88

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

UK COMPANY NEWS

Raks raises bid for Avana

BY NIKKI IT

Ranks He McDougall yesterday mad the widely-predicted increa in its hostile bid for Cardiff-bd food company Avana—raisi the value of its offer from £.3m to £282m.

Its advisorMorgan Grenfell, immediately nt into the market, upping e RHM stake in Avana from und 21 per cent to 30.47 per t. Further small purchases w made later.

But the reed terms—which are final uss a competing offer emer—were immediately reject by Avana. The company s it had been approached a number of potential w knights in the past and t some of these contacts h been re-established.

Elaborati on the statement, Dr John Raall, Avana's chairman, said: We have a duty to talk to ane who may offer more for e company." In the past, the had been serious approachesrom four contenders, he aed, of whom three were still terested. One is a British company, one European and one American.

In the past, Associated British Food has been widely tipped as a potential rival to RHM; yesterday, on the UK front, United Biscuit was also being mooted but the company's finance director, Mr James Blyth, said he was not aware of any interest.

Speculation among analysts suggested Campbells could be the US party, and the European company is thought to be French. Dr Randall refused to coment on any of the rumours.

The new RHM terms offer shareholders 13 RHM for every five Avana, compared with 12 RHM under the previous offer. The cash alternative goes up from 696p to 800p. Shareholders will also be entitled to receive both the Avana and RHM interim dividends, payable this month and in July respectively.

With RHM shares down 8p to 311p yesterday, the offer values Avana at 808.6p; Avana itself jumped 32p to 804p.

IC as makes rival offer for entury Power stake

BY LUCELLAWAY

Imperiaontinental Gas yesterday sied its displeasure at the agd purchase by Carless Capend Leonard of the minority lding in its oil subsidiary, ntury Power and Light, byaking a rival offer for part the stake.

Howev TR Industrial and General ust, the holder of 11.8 per t of Century, turned down the14m approach from IC Gas et though it was worth £2.3m me than the present value ofe all-share Carless deal.

The d comes just a few weeks bre IC Gas will be broken into two separate compan one of which will consist Calor Gas and the 59 per ce share in Century Power a Light.

"Wh we heard of the Carlesseal that was being propos we thought that we ought make a bid," said Mr David tchell, chief executive of thew Calor Group.

Hower, IC Gas did not make a form offer to London Merchantecurities for its 29 per cent ke in Century, as LMS is already a Carless shareholder and is happy with the Carless deal.

The IC Gas gesture will demonstrate to Carless the difficulty it might encounter were it to make a full offer for Century, which is believed to be its long-term aim.

Druck improves

Druck Holdings, a USM quoted holding company for a group of companies engaged in the manufacture and sale of electronic pressure measuring devices, reported a 14 per cent increase from £953,000 to £1.09m in pre-tax profits for the six months to December 31 1986 against an increase of 24 per cent to £5.6m in sales.

Mr John Salmon, the chairman, said the total order book at the present time showed a further increase compared with the same period last year.

Tax charged was £449,000 (£428,000) and minorities took £9,000 (£12,000).

The interim dividend is raised from 1.8p to 2p from earnings of 10p (8.2p).

Lisa Wood examines Guinness's latest change of direction

A stout and spirited strategy

MR ANTHONY TENNANT, just three weeks becoming chief executive of Guinness, brewing and retailing group, has started to unpick the strategy of his predecessor, Mr Ernest Saunders.

In announcing the intended sale of the group's retailing businesses, he said: "It is a matter of concentrating our management and financial resources on our mainstream businesses which are spirts and stout."

It is a strategy which has been adopted with the assistance of the Guinness board, not least its non-executive directors, a board which appointed Mr Tennant, formerly chairman of International Distillers and Vintners, international wine and spirits business, in the knowledge that his experience was in wines and spirits, rather than in running a conglomerate.

During the next few months Guinness is to divest itself of a series of retail acquisitions built up over the past three years. They include Martin the Newsagent, Gordon Drummond pharmacies, the 7-Eleven convenience stores, Richter Bros, speciality food importer in the US and Nature's Best, health product business.

They were the meat of Guinness's retailing business, with a combined turnover of about £400m and profits of about £20m. City analysts estimated yesterday they were worth about £250m. Speculation over the future of the group has been rife and a number of inquiries from potential purchasers have already been received.

While Guinness said the divestments were not being made to raise cash, it will not be unwelcome at a time when it has heavy borrowings. In addition, litigation from Mr James Gulliver, chairman of Argyll, who was defeated by Guinness in his bid for Distillers, cannot be ruled out. Such litigation is probably dependent on the conclusions of the Department of Trade and

Anthony Tennant, chief executive of Guinness

Industry inquiry into Guinness's share dealings during the takeover.

In the City the sale announcement gave a slight fillip to the ailing share price. Mr John Dunsmore, of Wood Mackenzie, stockbrokers, said: "It was entirely logical for Guinness to acquire these businesses and it is equally logical to dispose of them."

Mr Ernest Saunders, former chief executive and architect of the present Guinness business, started to acquire the retailing businesses in 1984. This followed three years of his pruning of a hotch-potch of businesses the Guinness family had acquired prior to the 1980s in a bid to stimulate corporate growth at a time when stout sales were plummeting.

Four core areas were identified by Mr Saunders and his team, which included Bain & Co, the management consultants. They were stout, health, publishing and retailing.

Martin the Newsagent, acquired in 1984 for £48.6m was grafted on to the existing Lavells newsagent business. Lewis Meeson and RS McColl were added later.

Mr Dunsmore said: "Guiness bought Martin the Newsagent at a time when its share rating was low. It was very early days in terms of building the business's credibility." In 1984, at the time of the acquisition, Guinness was a much smaller company than today and the retail business, subsequently bolstered with other activtes, ncludng 7-Eleven, was perceived as being able to contribute a sizeable chunk of profits.

In 1985 Guinness started to show its ambitions in the spirits business. In August it paid £356m for Arthur Bell, the Scotch whisky company.

In 1986 it whisked itself into the league of big players in the international spirits business when it paid £2.5bn for Distillers, the giant of the Scotch whisky business with brands including Johnnie Walker and White Horse.

That deal, in which Guinness beat a hostile bid from Argyll, supermarket group, started a chain of events which erupted into the DTI inquiry and the dismissal of Mr Saunders.

Armed with a team drawn from the middle to senior management of Distillers, Guinness and a bevy of new managers drawn from some of Britain's best-known companies Mr Tennant has decided to focus on the business he knows best.

Given the scale of the combined stout and spirits businesses, the retail acquisitions no longer satisfy the criteria of a diversification. The retailing business, like the other two non-drinks' divisions lack the scale to balance any downturn in the drinks business.

In the year to September 1986 the development sector, which included retailing, contributed £23m out of a total group pre-tax profit of £241m.

Mr Tennant said: "If we were to extend our business it would not be in UK retailing but in businesses analagous to the beverage business." The retention of businesses such as Champneys, Gleneagles, Cranks and Guinness Publications was justified as they were capable of strong branding, he added.

Should Mr Tennant wish to replicate some of the successful formulae he devised at IDV he may wish to buy distribution companies overseas, or a *soft* drinks business.

At a time when world alcoholic drink markets are showing litle growth Guinness, with all its eggs in one basket, is vulnerable. In the long term it may wish to diversify further. If in five years it wanted to return to retailing, given that its beverage business is cash generative, it could buy something a lot bigger."

ACQUISITIONS

Spirits		
The Distillers Company	March 1986	£2.5bn
Arthur Bell & Sons (including Gleneagles and Catking Town Glass)	August 1985	£356m
UK Retailing		
Martin the Newsagent	June 1984	£48.6m
Neighbourhood Stores	February 1985	£14m
Lewis Merson	July 1985	£10m
RS McColl	August 1985	£24m
Other Businesses		
Champneys Group	November 1984	£3m
Nature's Best Health Products	January 1985	£2.4m
Richter Bros.	February 1985	£16.82m
Hedlard	August 1985	£5m

Hawley's £32m US purchase

Hawley Group is to become the fourth largest US security services operator with the purchase of Crime Control for $51.3m (£32m) in cash.

Crime Control will join Electro-Protective Corporation, Bermuda-registered Hawley's main security services company. The new company gives Hawley access to 12 new markets in the Washington area and in the West and South-West.

Hawley's security and communications operations reported operating profit of $12.75m last year. Crime Control achieved $4m profit in 1986 and had net assets of $4.5m at the end of the year.

MAM offer oversubscribed

THE OFFER of shares in Mercury Asset Management, the fund manager, has been oversubscribed. Applications for 19.34m shares were received against the 17.6m shares being sold.

MAM is being floated on the stock market by its parent, Mercury International, the securities conglomerate. A quarter of MAM's equity was offered to Mercury International shareholders at 225p a share.

Applications for up to 90 per cent of each shareholder's maximum allocation will be met in full. Bigger applications will be met in full for the first 90 per cent of the application and 57.9 per cent of the balance.

UK COMPANY NEWS

Bad debt clawback helps Empire Stores to £8.9m

Empire Stores (Bradford), mail order company, increased its pre-tax profits from £5.79m to £8.86m in the 53 weeks to January 31 but that was after a £1.14m clawback from the bad debts reserve following a further improvement in bad debt experience.

Profits before the exceptional item at £7.72m were below best expectations.

Mr John Gratwick, chairman pointed out that turnover in the first half was 12 per cent up compared with an 8 per cent rise in the second half, giving a 10 per cent increase from £163m to £179m for the year overall. He said that sales in October and November were disappointing, although that experience was not uncommon.

Since the launch of the first specialist catalogue "Oh-One-Oh!" early in 1986, two further ones had been launched—"Complete Comfort" and "Elements" The company had also announced a joint venture with "Top Shop." The association would provide 24 pages of young fashion for inclusion in the Autumn/Winter 1987 catalogue.

Mr Gratwick said that sales at the beginning of the new financial year started more slowly than was expected, but were improving and were now in line with forecasts. Further improvement in profit was expected in the current year.

Operating profits last year totalled £8.6m (£6.6m) and interest payable was £899,000 (£826,000). The tax charge was up from £1.72m to £3.34m and earnings per share emerged at 12.64p (10.88p) before the exceptional item and 14.50p (10.88p) after.

The dividend is raised from 3.75p to 4.75p with a proposed unchanged final payment of 3.25p.

● comment

The very name Empire Stores has an old-fashioned ring to it and some old-fashioned virtues produced last year's profits increase—a tight hand on costs meant that the turnover increase went straight through to the bottom line. And although the company, like its rivals, is moving into the specialogue field, it is the old faithful main catalogue that provides the engine for growth. Empire blamed the weather for the October-November sales dip and despite its best efforts to spruce up the figures with a clawback of the bad debt provisions which plagued the group in the early eighties, the market was sceptical and knocked the shares down 6p to 220p. Although Empire has frequently been the subject of bid speculation, the more interesting prospect is what the new managing director, Mr Michael Harris from GUS, can do with the group. The first half prospects look flat and Mr Harris will need a bit of flair to improve the rating from its current 13, assuming pre-tax profits of £10m.

Coates up by 24% to record £14m profit

Coates Brothers reported pre-tax profits up by 24 per cent from £11.52m to a record £14.27m in 1986. Mr John Youngman, chairman, said the trends of the first half continued into the second with most of the profits gain in the UK and Europe and resins and electrographics maintaining higher profitability.

He added that printing inks and related supplies had shown some improvement later in the year and there was some advance in Africa as well as signs of a recovery in Colonial Printing Inks in the US.

Turnover improved by 3 per cent from £189m to £194.42m and earnings per share came out at 19.44p (15.78p). A final payment of 4p (3.2p) is being recommended for a total of 5.7p, against 4.6p.

Printing inks and related supplies had pre-tax profits of £7.6m (£7.98m) on turnover of £125.01m (£123.2m) with sythetic resins and other products showing £6.67m (£3.54m) pre-tax on turnover of £69.41m (£65.81m).

Interest payable was reduced from £2.87m to £2.32m. Mr Youngman said borrowings had been cut by £10m to £15m for gearing of 17 per cent as a result of improved margins, control of capital spending and working capital and lower raw material costs.

The tax charge was £6.05m (£4.92m), minorities took £347,000 (£214,000) and there were extraordinary debits of £1.05m (£126,000) to leave attributable profit at £6.82m, against £6.26m.

The extraordinaries included amounts which the company had been unable to recover from Nigeria and Zambia.

Mr Youngman said that the present year had started well.

OLDHAM'S CHAIRMAN DELIVERS HIS SWAN SONG

End of the Hyams era at hanl

BY CLAY HARRIS

MR HARRY HYAMS, father of Centre Point and the man who prompted a Conservative Government to consider compulsory purchase of empty office blocks, delivered his swan song yesterday as chairman of Oldham Estate.

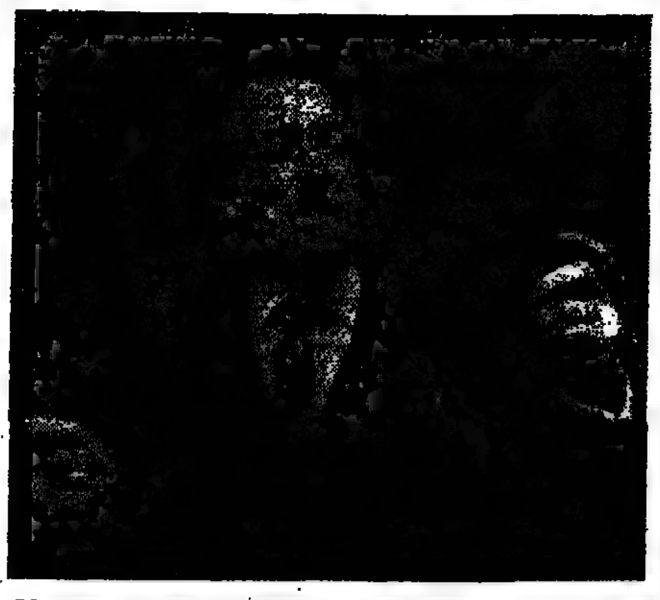
Facing a takeover bid from MEPC, the much larger property group, in hte wake of the majority stake in Oldham being sold without his knowledge, all that is left for Mr Hyams now is to haggle for the best terms for himself and other minority shareholders.

Mr Hyams did not concede defeat. He said that he considered a letter from Co-operative Insurance Services, and its subsequent statements, giving him first refusal if it wanted to sell its shares to be a binding contract. "This matter is in the hands of my lawyers and may be the subject of litigation," he said.

But he acted as if yesterday's annual general meeting would be Oldham's last. The reclusive bogeyman of the 1960s and 1970s, when his 34-storey Centre Point in London stood empty for 15 years and he came to personify an unpopular face of property development, yesterday displayed a droll and subtle humour, quoting Shakespeare and Maugham.

His responsive chorus of shareholders was offered the parting gift of Centre Point umbrellas ("Head and shoulders above the rest").

Unlike previous Oldham meetings, held at inconvenient times like New Year's Eve and closed to outsiders, the press had been invited to yesterday's finale.



Harry Hyams, the reclusive bogeyman of yesteryear, graciously accepting the plaudits.

In earlier years, Mr Hyams revelled in secrecy, donning a Mickey Mouse mask at one point to taunt excluded reporters and photographers.

The shareholders, holding less than 2 per cent of Oldham, had never doubted him. But with the end of an era at hand, they did not stint in the praise of his 28 years as chairman or hide their sense of betrayal about the circumstances in which CIS, majority shareholder since 1974, had sold out to MEPC.

Mr Hyams graciously accepted the plaudits, avoiding any obvious jibes at CIS or MEPC but making clear that he and other independent directors had not been consulted about the deal, announced while he was flying from London to Sri Lanka for a holiday.

"If they had been, who knows what offer they might have obtained for the shareholders."

When two CIS nominees, Mr Arthur Duy and Mr David Wise, stood for re-election to the board, Mr Hyams, as chairman, made the motion.

He quietly voted against them, however, when the motion, initially defeated on a show of hands, was put to a poll.

The 68.32 per cent block still registered with CIS but beneficially owned by MEPC made the result a foregone conclusion despite the virtually unanimous opposition of small shareholders.

Mr Hyams outlined an agreement under which four MEPC directors will be co-opted on to the Oldham board. Two will join him and Mr Peter Cope, a consultant surveyor, to be responsible for Oldham's properties.

Mr Hyams, Mr Alfred Grimwade and Sir Reginald Smith, the three non-CIS Oldham directors, will retain the right to seek independent financial and legal advice on the value of the MEPC bid.

MEPC has offered three shares plus 10p for every £17.60 of Oldham's net asset value. It has until next Thursday either to accept Oldham's own valuation or commission a new one, after which it will express its offer in conditional terms.

Under the terms of the agreement announced yesterday, the Oldham board will be consulted on the choice of any independent valuers.

Scanro falls to £276,000

ADVERSE TRADING conditions caused pre-tax profits of Scanro Holdings, the USM quoted surfboard and leisurewear group, to slump from £550,000 to £276,000 for 1986 despite a 54 per cent increase from £2.86m to £4.42m in sales.

The final dividend is cut from 2.5p to 1p, making a total of 2.5p (4p).

Poor weather conditions in Europe in the first half of the year and the dumping in the US of bankrupt stocks of European surfboards produced the tough trading conditions which also influenced the second half year.

Tax took £54,000 (£252,000) leaving net profits of £222,000 (£298,000). There was an extraordinary debit of £58,000 (nil). Earnings per share were down from 9.7p to 7.2p.

Billam's recovery on course

J. Billam, precision sheet metal engineer, lifted pre-tax profits from £232,262 to £312,803 in 1986 on turnover of £2.53m (£2.04m).

The proposed final dividend is lifted to 2.4p (2.13p), making a total of 3.96p (3.53p).

Mr Leo Wright, chairman, said that the company's recovery programme from losses of £192,769 in 1984 was steadily on course.

The company has agreed to acquire LT Willis (Birmingham), a metal pressings maker, for £371,122.

Tax took £107,528 (£65,895) and earnings rose to 13.7p (11.1p).

Musterlin turns in 9% rise to £½m

Musterlin Group, book packager and publisher of fine art books, has produced a 9 per cent improvement in pre-tax profit to £520,000 in its first results since joining the US in April 1986.

Turnover for 1986 rose from £6.16m to £6.73m. Earnings per share fell from 10.53p to 7.34p, and a final dividend of 2p per share is being recommended, making 3p for the year.

Mr George Riches, chairman, said the outlook indicated further firm growth.

A. & C. BLACK (publisher): Final dividend 7.25p (6.75p), making 10.75p for 1986, against 10p. Sales £4.61m (£4.87m) and pre-tax profits £533,000 (£408,000).

Epwin for USM at £18m

BY PHILIP COGGAN

Epwin Group, a manufacturer of replacement windows, is set to join the Unlisted Securities Market next week in a placing which will value the group at about £18m.

Slightly more than 10 per cent of the equity is likely to be placed with about half the shares on offer being sold by existing shareholders. The proceeds of the placing will be used as part of the finance for a new £5.5m uPVC extrusion plant in Telford.

Epwin made pre-tax profits of £1.83m on turnover of £24m in the year to December 31, 1986, up from £1.04m on £16.5m in the previous year. It operates through three main divisions: Europlas, which has 17 retail showrooms; Total Window Systems, which supplies the UK window trade; and Plastal Commercial, which supplies industry and local authorities.

Tesco buys shares

County Bank, advisers to Tesco in its hostile bid for Yorkshire-based supermarket chain, Hillards, yesterday announced that they had purchased a further 547,500 shares in the target at 300p. This takes the stake held by Tesco and its associates to approximately 6.5 per cent. Holdings by directors of Hillards plus family, together totalling around 28.4 per cent, have said that they will reject the bid.

Sherwood advances

Sherwood Computer Services, Romford - based computer bureau and software development company, saw pre-tax profits advance by 51 per cent to £958,000 on turnover of £12.55m in 1986. That compares with £636,000 on £8.03m.

Earnings per 10p share for this USM-quoted company rose to £17.6p (12.1). The directors are proposing to increase the total payment to 3.75p (3p), with a final of 2.5p (2p).

Improved margins lit Wm Morrison to £2.3m

Wm Morrison Supermarkets, operator of 35 superstores in the north of England, yesterday reported a continuation of uninterrupted growth in both turnover and profits for the 1986-87 year.

On the back of a 15 per cent increase in turnover to £423.31m operating profits for 52 weeks to January 31 accelerated from £15.85m to £21.51m.

Profit margins at this level, helped by a change in depreciation policy, rose to 5.1 per cent compared with 4.3 per cent for 1985-86.

Pre-tax profits, including an associate's share of £112,000 (£71,000) and net interest income of £840,000 (£568,000), increased to £22.26m, an improvement of 35 per cent over last time's £16.49m.

Mr K. D. Morrison, group chairman, said with inflation accounting for 3.1 per cent of the turnover improvement and new stores 7.8 per cent, growth in existing stores had been 4.6 per cent.

He pointed out that growth in the latter had been significantly better in the units which had recently been modernised and added that a continuing programme of improvements in stores was being implemented.

Tax for 1986-87 accounted for £7.86m (£6.51m) and left the available balance £1.16m ahead at £13.35m, equal to earnings per 10p share of 37p (9.94p).

The improved results are reflected in shareholders' dividend. They are to receive a final 1.2p which lifts the total from 1.35p to 1.6p net per share.

Employees also benefit via a 33.4 per cent increase in their profit sharing scheme to £1.05m.

At end-January 1987 group net borrowings amounted to £18.4m. Approved expenditure will exceed £50m over the next two years.

Gabicci ahead: £1m acquision

Gabicci, a designer and supplier of casual menswear which has made steady progress since its debut on the USM in 1984, yesterday revealed that its profits for the half year to December 1986 had risen from £330,000 to £362,000 pre-tax.

At the same time it announced the acquisition of Manchester-based Shemeah Fabrics for £1.15m, to be satisfied by the issue of 822,704 new ordinary shares.

The vendors will retain 142,857 of the shares: the remainder will be placed by Capel-Cure Myers.

Gabicci will continue to seek further suitable opportunities for acquisition. Meanwhile Mr Jack Sofier, the chairman, said the company was now poised for the next stage of its development and added that future prospects were better than ever.

Turnover for the half year totalled £6.44m (£4.32m). Earnings amounted to 4p (3.4p) and the interim dividend goes up by 0.1p to 1.1p net.

UK COMPANY NEWS

Marley rises to £34m as improvement continues

IN LINE with forecasts made at the time of its acquisition of Nottingham Brick last month Marley, building materials group, reported 1986 pre-tax profits of £34.16m, up 39 per cent on last year's £24.6m.

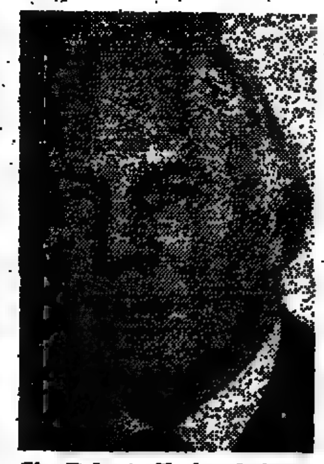
Directors said that the improvement, which had begun towards the end of the first half, continued throughout the second six months.

Turnover fell by £41m to £556.61m reflecting the sale at the beginning of the year of Payless. Earnings per share came out at 8.8p, against 6.5p, and the directors are proposing a final dividend of 2.7p (2.85p) making a total for the year of 4.1p, against 3.75p last time. A share alternative is also proposed.

Boosted by extraordinary credits of £49.21m, being the profit on the sale of Payless less reorganisation costs, retained profit of the year was £60.96m, against a deficit last time of £5.74m.

Directors said the sale of Payless established the strategy of concentrating on building materials, manufacture, which rose as a percentage of turnover from 51 per cent to 69 per cent contributing 80 per cent of the profits, against 55 per cent. It also enabled Marley to acquire Thermalite and General Shale, both of which made major contributions and outperformed the company's expectations.

There was a full year contribution from Thermalite of £8.9m to pre-tax profits and General Shale was included from its acquisition in June.



Sir Robert Clark, chairman of Marley

Operating profit came out at £42.01m (£38.38m) and the pre-tax figure was struck after share of losses of related companies of £87,000 (£688,000) and much reduced interest charges of £7.77m (£13.09m). Gearing at the end of the period was 27 per cent.

Directors said that the outlook for the present year was favourable judging by demand and profit performance so far. The rationalisation programme, much of which was complete, should also yield considerable benefits.

They added that capital spending was likely to be at record levels.

Of the Nottingham Brick acquisition they said the company would complement in the UK the US activities of General Shale and saw considerable benefit from their combined experience.

● comment

It is an unfortunate coincidence that just as Marley is flush with confidence the City is cooling on the prospects for the sector. The new management team has done a great deal to shift the group back to its building materials core, to cut overheads and to move, through a series of acquisitions, out of the bid target category. Over the last 18 months, more than half the group's sales mix has changed and at 16 per cent the return on capital employed for 1986 is decidely positive when compared with the return on passive money market investments — although it is still four points short of a reasonable target level. In the US, General Shale has stepped up brick production by almost 10 per cent to 720m a year and the integration of Nottingham Brick in the UK will make Marley a significant operator in this market. For the future the emphasis is to be on nothing high-tech or overtly fashion centred in the home or US market and some European opportunities are to be explored. With £50m pre-tax in view (without making any allowance for Nottingham Brick), Marley's shares are currently trading, up 7p at 151p, on a prospective multiple of 11. The discount to the sector is only a point, probably not enough to justify any serious move towards the new look Marley.

BSG accelerates 81% to £11.8m

AFTER THE 72 per cent improvement in pre-tax profits shown at the half-year, B.S.G. International, the industrial holding company, accelerated in the second and ended 1986 with an overall rise of 81 per cent from £6.52m to £11.82m.

Mr Astley Whittall, the chairman, said that in automotive component manufacture turnover increased by 36 per cent to £86.7m and trading profit by 80 per cent to £4.7m.

The acquisition of Rainsfords in Australia in November would help to spread product development costs and provided B.S.G with a major share of the Australian market for the supply of seat belts and mirrors to vehicle manufacturers, as well as export potential into Japan and the US.

In non-automotive manufacture turnover increased by 42 per cent to £45.2m and trading profit by 82 per cent to £5.3m. Mr Whittall said that the acquisition of Safe-N-Sound in Australia gave the company a substantial share of that market for children's car safety seats. And the acquisition of Restmor Group, for about £14.7m in January this year, enhanced the Britax child seat business.

The vehicle distribution division increased its turnover by 32 per cent to £344m and trading profit by 21 per cent to £6.1m, reflecting a year which saw the highest ever annual new car sales in the UK.

Autolease had a record year and now had approximately 10,500 vehicles out on contract hire and lease.

Management accounts for the first two months of 1987 indicated continued significant growth in profits.

Total turnover last year was up from £356m to £476m and trading profits from £10.6m to £16.1m. After deducting interest of £4.3m (£4.1m), tax of £2.4m (£1.3m) and minority interests of £256,000 (£158,000) attributable profits amounted to £9.2m (£5.1m).

There were no extraordinary items this time (£262,000 deficit) and earnings per 10p ordinary came out at 6p (3.7p) for the dividend which it a total of 1.37p (1.1p), with a proposed final of 0.89p (0.715p).

● comment

BSG International has moved out of its fire-fighting stage of the early 1980s, when losses reached nearly £5m a year, and can look forward to building on last year's growth in 1987. The group is no longer primarily a vehicle distributor with a rag bag of other interests but now has a solid distribution side and a strong portfolio of higher-margin manufacturing interests. The UK safety belt business is particularly buoyant now the installation of rear seat belts has been made compulsory. This year will see a first contribution from Restmor and a full year from Rainsfords Metal Products which will help push pre-tax profits to about £18.6m. On yesterday's close, up 2p at 74p, this gives a prospective p/e of about 10. For a company with an excellent base for further growth and with a management that seems to have motor lubrication oil running through its veins, this is not expensive.

Cambridge allotments

Cambridge Instrument's offer for sale was nearly three times subscribed when applications closed on Wednesday. Applications were received for 105.34m shares, compared with the 36.26m shares on offer.

Around 14.5m shares are being reserved for institutional investors and a further 425,000 shares are being set aside reserved for applications from employees and existing shareholders.

The basis for allocation of the remaining shares is as follows: applications for 200 and 400 shares—weighted ballot for 200; for 600 shares—ballot for 400; 800 shares—ballot for 500; 1,000 shares—ballot for 600; 2,000 to 9,000 shares—approximately 32.5 per cent of the shares applied for; 10,000 shares and above—approximately 35 per cent of the shares applied for.

The shares were being offered at 130p each, putting a market capitalisation on the company of £127m.

Portals rises 14% despite water treatment downturn

Portals Holdings produced a 14 per cent improvement in pre-tax profits to £25.05m despite the continuing shortage of new large water treatment schemes.

The water treatment division showed a fall in profits from £8.5m to £7.5m, but others all showed an upward trend.

Mr Julian Sheffield, chairman, said that after a long period of low investment worldwide, prospects for the division were improving.

Turnover for 1986 fell from £239.89m to £212.79m. Basic earnings per share rose from 23.24p to 27.79p, with fully diluted earnings at 25.25p (21.14p). Directors are recommending a final dividend of 5.75p (4.83p adjusted), making 8.5p for the year, compared with 7.33p for 1985.

The group balance sheet shows another year of growth in liquidity, said Mr Sheffield, with net cash and deposits £10.1m higher at £28.4m.

Both paper mills produced an excellent performance, he said, with profits rising from £11.42m to £12.5m. A fall in demand had led to the closure of some older equipment at Overton Mill. It was expected to hold its market share in 1987, but would find it difficult to repeat the level of performance achieved in 1986.

The engineering division saw profits rise from £1.11m to £1.62m with demand continuing to be satisfactory. Property profits rose from £1.47m to £2.4m after rent increases and development profits.

Winning orders would again be top priority in 1987, said Mr Sheffield.

Net interest receivable came to £1.08m (£467,000 debit). Taxation rose from £9.23m to £9.65m, and outside shareholders' interests took £8,000 (£34,000).

Charles Church set to float at £99.3m

By Richard Tomkins

Charles Church Developments, the housebuilder best known for its upmarket Tudor-style developments in the south-east, is joining the stock market through an offer for sale which will value the company at £99.3m.

Its flotation follows soon after that of Wilson Bowden, the Leicester-based housebuilder which joined the market through an offer for sale at 130p a share last month.

N. M. Rothschild, the merchant bank, is selling 21.46m shares in Charles Church at 115p a share, with Phillips and Drew as stockbroker to the issue. Some £21m of the proceeds will go to existing shareholders—mostly the Church family and trusts—and the remaining £2.5m net of expenses will go to the company.

Based in Camberley, Surrey, Chares Church was set up in 1972 by Mr Charles Church, now chairman, and his wife Mrs Susanna Church, now quality-control director.

It builds properties ranging from studio flats at £42,000 to five-bedroom houses at £300,000. During the past five years it has sold between 400 and 500 houses a year, and it is currently working on more than 20 sites in London and the home counties.

The prospectus shows that in the year to last August, pre-tax profits were £6.34m compared with £2.39m in 1982. The increase has come about through improved efficiency in land buying and construction, combined with rising land and property prices.

However, these figures exclude heavy losses from an ill-starred venture into the US property market which ran up after-tax losses totalling nearly £5.5m over the five years to 1986.

The US business is being sold to the Church family for £5.8m as part of the flotation. The sale will produce another after-tax loss of £2.9m for the current year, but the prospectus says this will be treated as an extraordinary item.

Charles Church expects the number of houses it sells to increase from 487 to 630 in the year to next August, and combined with the rise in house prices this enables it to forecast turnover of at least £60m and pre-tax profits of at least £11m. On that basis the company is coming to the market on a prospective p/e multiple of 13.7.

● comment

Charles Church's houses do not come cheap: neither do its shares. Comparisons with Wilson Bowden are invidious but inevitable. A month ago Wilson came to the market with an impeccable track record and a prospective p/e of just 11½ yet still only managed an 8p premium above its 130p asking price. Charles Church has a good product in a more prosperous part of the country, and skilful land management together with the buoyancy of the property market make its immediate outlook rosy. Not surprisingly, it wants a higher rating, but whether the gap should be this big is debatable. The price makes few concessions to a track record which compares badly with Wilson Bowden's even before the unfortunate US venture is stripped out, and also appears to rest on the optimistic assumption that the current year growth rate is sustainable. Ratings for housebuilders may already be near their peak, and Charles Church's leaves precious little margin for hiccups in the market between now and first dealings.

Ferry Pickering

Pre-tax profits of the Ferry Pickering Group, printers, packagers and publishers, showed a slight fall of £83,000 to £1.23m in the six months ended December 31 1986.

The board said that although sales had increased there had been some presure on margins in the carton division. This coupled with higher stock levels resulted in slightly lower profits than the comparable half year,

Turnover for the period rose from £7.29m to £7.7m; tax charged was £428,000 (£507,000)

Earnings per share before the extraordinary item were 6.686p (6.746p). The interim dividend has been increased from 1.4p to 1.6p. Last year's total was 3.5p.

COMMODITIES AND AGRICULTURE

EEC releases grain after intense British pressure

BY JOHN BUCKLEY

THE EUROPEAN Commission announced yesterday that it was releasing a further 300,000 tonnes of wheat from Britain intervention stores for sale over the April/June period. The move follows intense pressure from British consumers and merchants for extra supplies to be made available in response to a burst of strength in the open market.

The release is broadly in line with the amount of extra supply UK traders were imploring the Commission to make available last month. The initial response to their pleas had been a release of 50,000 tonnes, which did little to cool the overheated market. Most of the intervention grain available for home use was cleared at a sale this week, and with grain still pouring out of Britain's export ports some trade analysts were talking of an open market deficit of 500,000 to 750,00 tonnes.

Grain futures have underlined the physical market's strength, gaining £4.80 per tonne on the old crop May position this month and more than £8 since the start of this year. Meanwhile speculation is growing that the season will draw to a tight finish with some spectacular prices likely on the physical market if harvest runs even a few weeks late.

The Commission's attitude to releases of grain has been complex and, according to some observers, ambivalent. At one stage, the clampdown on intervention releases was thought to be linked to a desire to prevent support grain released for domestic use being snapped up by shippers to fill export orders. But some shippers came to believe the Commission was seeking to avoid accusations that it is using intervention releases to regulate or interfer in internal markets.

Traders are in no doubt that recent predictions of 10m tonnes plus UK cereal exports this season will be met. "The grain has all been committed," said one shipper, who noted that the Soviet Union alone had bought 1.5m tonnes of British wheat and probably 1m tonnes of barley — only half of this has shown up on export figures so far.

The UK exported 517,600 tonnes of wheat and 315,800 tonnes of barley in the first 25 days of March, according to provisional Customs and Excise figures.

This brought combined wheat and barley exports since the season started on July 1 to 7.60m tonnes, substantially up on the 4.02m exported in the same 1985-86 period. This season's total is comprised of 3.94m tonnes of prised of 3.94m tonnes of wheat and 3.66m barley, compared with 1.63m and 2.39m respectively a year ago.

Although playing down speculation that Mrs Thatcher's Moscow reception will itself blossom into windfall grain purchases, several traders feel there are good reasons to look for sustained Soviet demand. An unusually harsh winter has forced farmers there to re-seed some 9m hectares of winter cereals and the area for harvest will probably be smaller this year.

The export-based strength in new crop UK wheat prices will need wider support than this however, especially as some analysts are already weighing up the possible contraction in Spanish demand for both wheat and barley. This season, Spain has taken a record 1.5m tonnes of UK grain to augment its own drought-depleted harvests of 4.3m tonnes of wheat and 7.3m tonnes of barley. While some local observers predict a recovery in Spain's crops to 5.5m tonnes for wheat and 10m tonnes for barley, others caution these forecasts assume good weather for winter sowings, which form only half the crop. "Predicting the harvest at this time of year is like flipping a coin," said one source. "If they have moisture it will be a good crop, but with drought it can be halved."

Meanwhile demand for British barely from Saudi Arabia has held up surprisingly well despite fears that French, US and Canadian competition would hit sales. So far the Saudis have taken over 550,000 tonnes of UK grain direct — and Belgian transshipment figures are believed to camouflage another large chunk — against less than half that this time last year.

Pakistan orders tea market probe

By Mohammed Aftab in Islamabad

THE PAKISTAN Government has ordered on investigation into possible monopoly price fixing and marketing of tea by Liptons and Brook Bond.

The companies, both owned by Unilever, the UK multinational, market 95 per cent of all packaged tea sold in Pakistan. Isphani, a Pakistani firm, which is the third largest in the business, markets only 1 per cent.

The investigation will be carried out by the Government's corporate law authority (CLA) and the issuing of tea import licences has been suspended in the meantime. The action was ordered by the Ministry of Commerce.

The Ministry said consumers had failed to benefit substantially from the declining tea prices in the international market over the last two years. The two companies have been importing ever-increasing quantities of tea from Kenya which is far more expensive than the Bangaldesh, Sri Lanka and Indonesian products.

Pakistan's total tea imports in the year ended June 30, 1985 amounted to $231.2m, which declined to $140m in 1985-86, because of a reduction in international prices.

Before Unilever started importing tea from its own Kenya plantations, 26 per cent of all tea c ame from Bangladesh, 24 per cent from Sri Lanka, 18 per cent from Indonesia and 20 per cent from Kenya. In 1985-86 only 29 per cent of all tea was imported from three Asian nations while import of expensive tea from Kenya jumped to 56 per cent.

Over the two comparable periods—1984-85 and 1985-86—Bangladesh tea price declined from $2.42 to $1.2 a kg; Sri Lankan tea from $2.65 to $1.6 a kg; Indonesian tea from $2.77 to $1.5 a kg; and Kenyan tea from $3.27 to $1.9 a kg.

As well as costing Pakistan more the switch to Kenyan supplies has hit foreign exchange earnings in Bangladesh, Sri Lanka and Indonesia, particulary the first two, and they have retaliated by reducing their own merchandise purchases from Pakistan.

Pakistan's overall exports to Kenya in 1985-86 amounted to only $5m, while its imports totalled $75m.

China and Chile in copper venture

BY STEFAN WAGSTYL

CHINA IS to sign later this month its first joint venture with Chile—for a $10m copper tube factory to be built in Peking.

China, a big importer of Chilean copper, has never sacrificed its commercial ties with Chile to its ideological dislike of General Pinochet's right-wing Government, which came to power by the violent overthrow of Marxist President Allende.

It is understood that China has also considered investing in a copper mine in Chile, though no decisions have been made. Peking has been suggested as a possible investor in the development of Escondida in Chile, the world's largest unexploited copper deposit. BHP, the Australian group, and Rio Tinto-Zinc, the UK metals, energy and industrial company, are curently looking for funds from potential customers for the scheme which could come into production in the early 1990s.

However, China has been trying to husband its foreign exchange at present and has delayed several large capital projects.

Codelco, the Chilean state copper company, and Madeco, a privately-owned copper fabricator, have formed a company called Chilean Wrought Copper to put up $2m of the investment which will be carried out jointly with the Peking Copper Tube Factory Number One.

The planned plant is to have a capacity of 5,000 tonnes a year for the first five years, rising to 8,000 tonnes later. It would be one of the first joint ventures in Chinese non-ferrous metals by any overseas investors. Codelco said the agreement signified the strengthening of technical and commercial co-operation with China.

Stefan Wagstyl on the Pacific islands 'gold rush'

Golden hopes on the 'rim of fire'

MR DAVID HENSON lives in a bungalow surrounded by hibiscus and alamander flowers overlooking the Solomon Sea in the South Pacific. It is easy to imagine him as the latter-day hero of a Joseph Conrad adventure—in fact he is the site manager for a gold mining company.

Mr Henson is the advance guard for a mine that is planned to be built on Misima, one of hundreds of small islands belonging to Papua New Guinea. Placer Pacific, the Australian mining group, is in the final stages of negotiating permission for the mine with the Papua New Guinea Government.

If there are no unexpected difficulties the first gold could be poured in a plant among the beachside coconut groves of Misima Island late next year.

Misima is set to reap the first fruits of a rapid expansion of gold exploration in the Pacific in the 1980s. Companies are prospecting in an arc of countries stretching from Indonesia through the Philippines, Papua New Guinea, the Solomon Islands, Vanuatu, and Fiji, to New Zealand.

These islands lie along the so-called Pacific "rim of fire" — where the earth's plates carrying Asia, Australia and the Pacific Ocean meet. As they grind into each other the plates produce earthquakes and volcanoes, bringing minerals to the surface. In geological terms the deposits are recent — in New Zealand hot volcanic springs bubbling from underground are even today bringing up traces of gold.

A strong gold price in the 1980s has stimulated an unprecedented exploration effort which could bring wealth to some of the developing island nations in the region, at a time when prices for other commodity exports are poor. But some of the smaller countries will be exposed for the first time to the difficulties of harnessing Western companies to their own best interests. In Papua New Guinea, in particular, the gold discoveries have already led to considerable political conflict over the way the rewards are to be divided between the companies, the Government and individual Papua New Guineas.

Gold mining is not new in the region. There are records of Chinese miners in Indonesia in the fourth century AD. From the seventeenth century European traders, especially the Dutch, bought gold which was mostly panned from rivers by villagers. After 1900, European settlers opened up several mines, including one in the middle of Mr Henson's site on Misima Island, which closed in 1942.

Papua New Guinea and the Philippines already rank among the world's significant gold producers—each producing 35 to 40 tonnes a year. The Philippines however is not a favourite country among explorers because of its violent political divisions. Armed troops protect some mines from guerrilla attacks.

Papua New Guinea is a different matter. The country is seen as ripe for exploration—almost all the 36 tonnes of gold it produced last year was mined as a by-product at two giant copper mines—Ok Tedi and Bougainville. As a result geologists are more active here than anywhere else in the region—the number of exploration licences in issue rose last year to a record 159.

The smaller Pacific island states have attracted a rush of interest in the last two years—the number of exploration licences issued in Vanuatu has gone from two to more than 100. Canyon Resources and City Resources, two Australian companies, led the way.

Meanwhile, on the Solomon Islands, Cyprus Minerals has identified a deposit at Gold Ridge on Guadalcanal. And on Fiji, where the Emperor mine has been in operation for 50 years, Western Mining of Australia has an active exploration programme.

Since the beginning of the year, however, the focus of attention in the region has switched to Indonesia, where the Government in December relaxed the laws on foreign participation in ventures.

Some 34 licences were granted immediately, and more are being processed almost daily in Jakarta. Companies with exploration plans include CRA, Renison Goldfields Consolidated, CSR, from Australia; BP Minerals of the UK; US-based Newmont, as well as a host of juniors, mostly Australian.

Indonesian gold output is estimated at some 3 tonnes a year, two-thirds of it panned from jungle rivers and smuggled to Hong Kong. If the sources of this alluvial gold are found, Newmont estimates the gold production could be 50 tonnes a year in the late 1990s.

Companies on many islands have to cope with daunting physical difficulties, often working in sparsely-populated dense jungle. In the tropics, low clouds, frequent rains and mountainous terrain make it difficult to reach sites even by helicopter.

Mr Dick Carter, a general manager at BHP, the Australian group, who was involved in the development of Ok Tedi, says: "Until you've done it yourself you'll never know what can come out of the jungle at you."

Conditions at Ok Tedi, in the Highlands of the main island of Papua New Guinea, are extreme, but they are not unique. Elsewhere in the Highlands, Placer Pacific, Renison Goldfields Consolidated and MIM Holdings are together planning a mine at Porgera, which is just as wet and rugged, although possibly more accessible.

On Papua New Guinea's Lihir island, Kennecott, a subsidiary of BP's US associate Standard Oil, is working on a deposit so recently-formed that the rocks are literally too hot to handle.

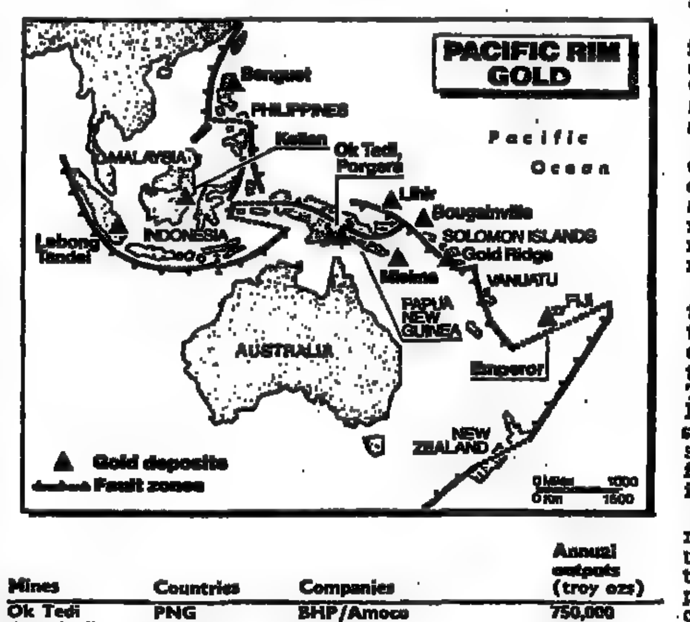
Political conditions vary enormously in the southern countries of the "rim of fire," although governments are committed to securing the maximum economic benefits from mining.

Western companies sometimes find the rules tough, particularly in relation to the required degree of local participation in a scheme. Mr David Tyrwhitt, chief executive of Newmont Mining's Australian subsidiary, recently said that such regulations were a "significant deterrent" to investment in Malaysia.

Some explorers were also reluctant to go into Indonesia until the Government revised the rules to allow foreign companies to hold more than 50 per cent of the equity for the first 10 years of a scheme.

The Papua New Guinea Government, which was given independence by Australia in 1975, is the most experienced in the region in dealing with overseas groups. Relations with operators have sometimes been tough—notably at Ok Tedi, where the Government temporarily closed the mine in 1985 during a break-down in talks on the troubled project's future. The Government has the right to buy equity in a scheme and to impose extensive controls. Ministers have also been pressing companies to give Papua New Guinean nationals the chance to buy shares for themselves. "Why not? They're our mines," says one senior official at the Department of Minerals and Energy.

Smaller island states to the east and south could well follow the example of Papua New Guinea. They often draw on the same technical advisers. One Australian political analyst of the South Pacific says these newly-independent countries are very keen to develop after what they regard as decades of benign neglect by colonial administrators. "They want a share of the action" he says.



Mines	Countries	Companies	Annual outputs (troy ozs)
Ok Tedi	PNG	BHP/Amoco	750,000
Bougainville	PNG	CRA	540,000
Emperor	Fiji	Emperor/Western	80,000
Lebon Tandai	Indonesia	CSR	30,000
Dizon	Philippines	Benguet	150,000
Prospects			**Potential outputs**
Porgera	PNG	Placer/MIM/Renison	1,400,000
Lihir Is	PNG	Kennecott/Niugini	1,000,000
Misima Is	PNG	Placer	200,000
Hidden Valley	PNG	CRA	200,000
Gold Ridge	Solomon Is	Cyprus Minerals	—
Kelian	Indonesia	CRA	215,000

LONDON MARKETS

COPPER PRICES fell again on the London Metal Exchange yesterday, with the cash Grade A quotation adding £8.50 to Wednesday's £22.50 fall at £918.50 a tonne. The three month's position fell only £6.75, however, so the cash premium narrowed by £1.75 to £35 a tonne. Dealers said the continued fall reflected the weak overnight tone in the New York market, where the 62 cents a lb support level was touched briefly. They said the narrowing of the cash premium was influenced by freer "lending" (selling cash and buying forward). On the coffee futures markets values recovered some of Wednesday's heavy falls but the rally, technical, ran out of steam in the afternoon. The July position climbed to £1,281 a tonne at one stage but slipped back to end at £1,264 a tonne, up £20 on the day. Although they conceded that yesterday's performance was "constructive" most dealers thought the continued absence of International Coffee Organisation export quotas meant that further falls were in prospect, possibly to £1,200 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	870-2	+4	877/878
3 months	815.5-6	+1.75	821/814

Official closing (am): Cash 875-6 (881-2), three months 818-9 (819-20), settlement 876 (882). Final Kerb close: 813-814. Turnover: 43,075 tonnes.

COPPER

[illegible]

LEAD

[illegible]

NICKEL

[illegible]

ZINC

[illegible]

TIN

KUALA LUMPUR TIN MARKET—Close: 16.86 [illegible]

GOLD

[illegible]

SILVER

[illegible]

FREIGHT FUTURES

[illegible]

INDICES

REUTERS

Apr. 1	Mar. 31	M'th ago	Year ago
1536.1	1540.8	1554.5	1841.6

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Mar. 31	Mar. 30	M'th ago	Year ago
Spot	110.40	116.05	—	122.74
Fut	114.10	115.48	—	129.00

(Base: September 18 1931=100)

MAIN PRICE CHANGES

	Apr. 2 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1425/445	+5	$1485/515
Copper			
Cash Grade A	£918.5	−8.5	£898
3 mths	£883.5	−6.75	£901.25
Gold Troy oz	$420.75	+1.5	$410.75
Lead Cash	£300.5	−3	£306.5
3 mths	£296.5	−2	£295.75
Nickel			
Free Mkt	170/180c	+0.5	172/182c
Palladium oz	$128.45	−0.9	$120.50
Platinum oz	$556.50	+5	$534.25
Quicksilver†	$200/210	+5	$200/210
Silver troy oz	395.55p	+5.35	350.25p
3 mths	405.15p	+5.35	359.15p
Tin			
free Mkt	£4270/300	+10	£4580/330
Tungsten	$47.08		$47.08
Wolfram 22.0lb	$49/54	+1.5	$40/48
Zinc	£447 0	−1.5	£462
3 mths	£467.25	−1.25	£455.75
producers	$780		$770/790
OILS			
Coconut (Phil)	$410		$345
Palm Malayan	$330y		$305
Seeds			
Copra (Phil)	$270v		$250
Soyabean (U.S.)	$143y		$137.5
GRAINS			
Barley Fut. Sept	£99.80		£115.00
Maize	£142.75		£144.50
Wheat Fut. July	£125.00	−0.40	£118.10
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. July ‡	£1333.5		£1304.5
Coffee Ft. July	£1264	+20	£1277.5
Cotton A Ind.*	63.50c	+0.65	63.50c
Gas Oil May	$148	+1.5	$141.25
Rubber (kilo)	60.75p	+0.25	60.25p
Sugar (raw)	$171x	+0.5	$203
Wooltops 64s	470p kilo	+12	461p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. z March-April. x April-May. y May.

SOYABEAN MEAL

[illegible]

COFFEE

[illegible]

COCOA

[illegible]

POTATOES

[illegible]

SUGAR

[illegible]

MEAT

[illegible]

US MARKETS

DESPITE TRADE buying, gold futures fell as the dollar strengthened, prompting profit-taking and long-liquidation, reports Drexel Burnham Lambert. Both silver and platinum were dominated by local trading as the markets lacked definite direction. Copper futures traded around Tuesday's closing levels as traders took stock of recent action and despite fund-type selling. Crude oil eased in light volume as speculators liquidated longs. Origin selling in the face of roaster price-fix buying eased coffee futures. Commission house liquidation in sugar futures eased prices initially before trade support prompted short-covering to take prices back to the highs where origin-type trade selling brought prices back to mid-range. Following a bullish planting intention report, heavy commission house short-covering in the face of trade selling steadied cotton futures. Commercial and speculative buying in soyabean futures reflected reports showing reduced estimates for planting, which provided support for maize futures as well. Wheat futures eased, however, reflecting final resolution of old crop trading. Cattle futures rallied to new contract highs reflecting rising cash prices as packers have become aggressive buyers in the physical market.

NEW YORK

ALUMINIUM 40,000 lb. cents/lb

	Close	Prev	High	Low
May	61.50	61.25	61.58	61.50
June	60.50	60.50	—	—
July	59.60	59.30	60.20	59.60
Sept	57.75	57.70	57.75	57.75
Dec	57.25	57.15	57.25	57.25
Jan	57.25	57.15	—	—
March	57.25	57.15	—	—
May	57.25	57.15	—	—
July	57.25	57.15	—	—

COCOA [illegible]

COFFEE "C" [illegible]

COPPER [illegible]

COTTON [illegible]

CRUDE OIL (LIGHT) [illegible]

GOLD [illegible]

HEATING OIL 42,000 US gallons, cents/US gallons

	Close	Prev	High	Low
May	49.48	49.23	49.80	48.70
June	48.90	48.75	49.05	48.25
July	48.75	48.45	48.85	46.20
August	49.20	48.77	49.20	48.50
Sept	50.00	49.47	49.95	49.30
Nov	51.40	50.97	51.40	51.40

PLATINUM [illegible]

ORANGE JUICE [illegible]

SILVER [illegible]

SUGAR WORLD "11" [illegible]

CHICAGO

LIVE CATTLE [illegible]

LIVE HOGS [illegible]

PORK BELLIES [illegible]

MAIZE [illegible]

BECAUSE OF the extended time gap between the US and the UK closing US prices are not available in time for the first edition of the Financial Times this week. The prices shown here are as at Wednesday's close.

SOYABEANS [illegible]

SOYABEAN MEAL [illegible]

SOYABEAN OIL [illegible]

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	Prev	High	Low
May	276.0	284.4	285.4	277.4
July	265.5	269.0	271.0	265.4
Sept	267.4	270.0	271.0	266.6
Dec	273.4	276.0	277.0	273.0
March	273.0	275.4	276.4	273.0
May	268.4	271.4	271.0	268.4

SPOT PRICES—Chicago loose lard 15.00 (14.50) cents per pound. Handy and Harman silver bullion 528.0 (530.5) cents per troy ounce. New York tin 315-7 (314-6) cents a pound.

RUBBER

PHYSICALS — The market opened about unchanged, drifted lower throughout the day and closed quiet and slightly easier, reports Lewis and Peat. Closing prices (buyers): Spot 60.75p (60.50p); May 62.25p (62.00p); June 61.75p (61.50p). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 228.0 (same); SMR 20 196.5 (195.0).

FUTURES—Index 599, May 592-607, June 592-607, July/Sept 592-607. Sales: Nil.

GRAINS

Old crop wheat, after firming on stop-loss buying, found one shipper/broker profit-taking at contract highs in sufficient volume to absorb further buyers, and values drifted for the remainder of the day to close on the lows. Old crop barley firmed on commission house and wheat/barley switch interest. New crops, after early hedge selling setbacks, firmed on trade buying, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or −	BARLEY Yest'rdy's close	+ or −
	£ per tonne		£ per tonne	
May	122.35	−0.35	114.86	+0.20
July	125.00	−0.40	—	—
Sep.	101.20	—	99.80	—
Nov.	103.30	—	102.30	−0.05
Jan.	106.50	+0.05	104.90	—
Mar.	108.60	—	107.25	—
May	111.20	−0.15	109.50	—

LONDON GRAINS—Wheat: US Dark Northern Spring No 1, 15 per cent: April/May/June 96.25, July 97.50. US No 2 Soft Red Winter: June 93.00, July 89.75, Aug 91.00. French 11½-12 per cent: April 147.25. English feed, fob: May/June 125.00 paid East Coast: Sept 104.00, Oct 107.00, Jan/March 111.00, April/June 115.50 sellers. Maize: US No 3 Yellow/French, transhipment East Coast: March 142.75. Barley: English feed, fob: April 117.00 paid Peterhead, 117.50 paid Boston. [illegible]

HGCA [illegible]

OIL

Brent traded moderately, about 10c up on Wednesday's levels. The premium for April over May increased again to around 45c. May WTI opened 4c up on Nymex and was 10c up at 1.30 pm EST after trade in a narrow 7c range. In the petroleum products market gasoline firmed on buying interest from refiners. Gas oil firmed in line with futures. Naphtha was quiet. Fuel oil continued to firm—Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.10-17.15*	+0.085
Brent Blend	18.45-18.55	+0.15
W.T.I. (1pm est)	18.85-18.95*	+0.20
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	199-202	+5
Gas Oil	148 150	+3
Heavy fuel Oil	110-111	+5
Naphtha	170-173	+0.5

* May Petroleum Argus estimates.

HEAVY FUEL OIL

Month	Yesterday close	+ or −	Business Done
	US $ per tonne		
Apr.	106.50	+2.50	—
May	95.75	−0.75	—
June	94.25	+0.75	—

Turnover: Nil (2) lots of 100 tonnes.

GAS OIL FUTURES

[illegible]

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Pound volatile on Lawson

STERLING REACTED sharply to comments by Mr Nigel Lawson, the Chancellor, yesterday. He criticised newspaper coverage of remarks made at Wednesday's meeting of the National Economic Development Council.

Mr Lawson suggested he had been misunderstood, and did not wish to set targets for sterling against the D-Mark and dollar. Hen only weant to give the impression of satisfaction with the pound at its present levels, following the February Paris currency agreement.

In late London trading the pound recovered to close little changed on the day.

At the finish sterling had fallen 20 points to $1.6025-1.6035, and to SFr 2.44 from SFr 2.4425, but was unchanged at DM 2.9225 and Y235.50, while improving slightly to FFr 9.7250 from FFr 9.7225.

The final exchange rate index was calculated before sterling's late rise, and was down 0.2 at 71.4.

The pound opened weaker on reports that Mr Lawson wished to keep sterling around DM 2.90 against the D-Mark and at $1.60 in terms of the dollar.

In reaction to the news reports dealers suggested the Cehancellor was showing marked confidence about the political and economic situation in the UK, and that by setting targets he was encouraging the market to make a challenge.

There was considerable surprise he named a target rate against the D-Mark, since the pound is not part of the European Monetary System.

The general confusion over what the Chancellor said and meant put sterling back under the spotlight, as interest in the dollar tended to wane. It was pointed out that for the pound to be at these levels the dollar would have to hold above DM1.80.

This tended to increase expectations that next Wednesday's meeting of ministers from the major industrial nations, ahead of an IMF gathering, would harden the measures agreed in Paris.

On the other hand dealers remained sceptical the US would be prepared to intervene strongly to support the dollar, at a time of dispute with Japan over trade and while the US continues to run such a large trade deficit.

In quiet trading the dollar rose to DM1.8215 from DM1.8205 and to FFr6.06 from FFr6.0575, but eased to Y146.70 from Y146.75 and to SFr1.5195 from SFr1.5215.

On Bank of England figures the dollar's index rose to 102.1 from 101.8.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7870. March average 1.8355. Exchange rate index 146.8 against 141.5 six months ago.

The D-Mark opened weaker against the dollar, but then showed little movement for the rest of the day. News the West German Bundesbank left its credit policies unchanged at yesterday's council meeting had no impact.

The Bundesbank did not intervene at th Frankfurt fixing when the dollar rose to DM 1.8270 from DM 1188. The US currency closed at DM 1.8265, compared with DM 1.8195.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 146.6. March average 151.41. Exchange rate index 217.4 against 216.5 six months ago.

The yen was little changed against the dollar in Tokyo. Underlying sentiment remained weak for the dollar, but major institutional investors were reluctant to go against recent requests from the Japanes Finance Ministry to stop aggressive selling of the US currency.

Steady intervention by the Bank of Japan also kept the dollar steady, and it closed at Y147.05 compared with Y146.90 on Wednesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu April 2	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.9496	+1.16	+0.84	±1.5344
Danish Krone	7.85212	7.82089	−0.40	−0.72	±1.6404
German D-Mark	2.05853	2.07441	+0.77	+0.45	±1.0981
French Franc	6.90403	6.90202	−0.03	−0.35	±1.3674
Dutch Guilder	2.31943	2.34161	+0.96	+0.64	±1.5012
Irish Punt	0.768411	0.776938	+1.11	+0.79	±1.6684
Italian Lira	1483.58	1477.91	−0.38	−0.38	±4.0752

Changes are for Ecu, therefore positive change denotes a week currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Apr 2	Latest	Previous Close
£ Spot	1.5920-1.5930	1.5905-1.5915
1 month	0.51-0.48 pm	0.48-0.47 pm
3 months	1.30-1.26 pm	1.28-1.25 pm
12 months	4.25-4.15 pm	4.10-4.00 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Apr. 2	Previous
8.30 am	71.3	71.6
9.00 am	71.3	71.6
10.00 am	71.3	71.6
11.00 am	72.4	71.6
Noon	71.4	71.6
1.00 pm	71.4	71.6
2.00 pm	71.4	71.7
3.00 pm	71.3	71.7
4.00 pm	71.4	71.6

CURRENCY RATES

Apr. 2	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.799183	0.713007
U.S. Dollar	5.5	1.28085	1.13511
Canadian $	7.54	*	1.48597
Austrian Sch.	4	16.3769	14.5804
Belgian Franc	8	48.2464	42.9496
Danish Krone	7	8.77636	7.82089
Deutsche Mark	3.0	2.32961	2.07441
Neth. Guilder	4½	2.63029	2.34161
French Franc	9½	7.75234	6.90202
[illegible]	[illegible]	[illegible]	[illegible]

* SDR rates are for April 1.

CURRENCY MOVEMENTS

April 2	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100). *Morgan Guaranty rates for April 1.

OTHER CURRENCIES

Apr. 2	£	$
[illegible]	[illegible]	[illegible]
Korea (Sth)	1341.50-1353.65	843.60-850.40
Kuwait	0.43520-0.43580	0.27330-0.27350
Luxembourg	60.55-60.65	37.70-37.80
Malaysia	3.9900-3.9990	2.5085-2.5115
Mexico	1786.45-1787.75	1122.00-1152.00
N. Zealand	2.7920-2.7995	1.7550-1.7580
Saudi Ar.	5.9720-5.9770	3.7500-3.7510
Singapore	3.4000-3.4090	2.1385-2.1405
S. Af. (Cm)	3.2515-3.2735	2.0450-2.0490
S. Af. (Fn)	4.7550-4.9015	2.9850-3.0770
Taiwan	54.45-54.75	34.20-34.30
U.A.E.	5.8485-5.8535	3.6725-3.6735

*Selling rate.

POUND SPOT—FORWARD AGAINST THE POUND

Apr. 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5885-1.6035	1.6025-1.6035	0.47-0.44 c pm	3.41	1.33-1.28 pm	3.26
Canada	2.0795-2.0960	2.0950-2.0960	0.52-0.43 c pm	2.72	1.46-1.33 pm	2.66
Neth'lands	3.27¾-3.30½	3.29½-3.30½	1⅞-1¾ c pm	4.55	3¾-3½ pm	4.39
Belgium	60.06-60.65	60.55-60.65	16-9 c dis	2.48	46-35 dis	2.67
Denmark	10.94¾-11.04	11.03-11.04	¼ore-½ ore dis	−0.14	⅜-1½ ore dis	−0.36
Ireland	1.0870-1.0960	1.0895-1.0905	0.23-0.35 p dis	−3.19	0.57-0.84 dis	−2.59
W. Germany	2.90-2.92¾	2.91¾-2.92¾	1½-1¼ pf pm	5.65	4½-4¼ pm	5.82
Portugal	223.96-226.20	225.25-226.15	46-131 c dis	−4.70	211-330 dis	−4.79
Spain	203.69-205.00	204.70-205.00	118-140 c dis	−7.56	325-366 dis	−6.75
Italy	2067¼-2084½	2083½-2084½	2-par lire pm	0.58	3pm-1 dis	0.19
Norway	10.90¾-11.00¾	10.99¾-11.00¾	3¾-4 ore dis	−3.89	11¾-12½ dis	−4.41
France	9.65¾-9.73	9.72-9.73	1⅜-1 c pm	1.62	4⅛-3¾ pm	1.52
Sweden	10.12½-10.21¼	10.20¾-10.21¼	Par-⅝ore dis	−0.37	1½-2 dis	−0.73
Japan	233½-236	235-236	1¼-1 y pm	5.73	3⅝-3¼ pm	5.84
Austria	20.43-20.54	20.51-20.54	10-8⅝ gro pm	5.44	27¼-25¾ pm	5.18
Switzerland	2.42¾-2.44½	2.43½-2.44½	1½-1¼ c pm	6.15	3⅝-3½ pm	6.30

Belgian rate is for convertible francs. Financial franc 60.70-60.80. Six-month forward dollar 2.34-2.29 c pm 12-month 4.20-4.10 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Apr. 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5885-1.6035	1.6025-1.6035	0.47-0.44c pm	3.41	1.33-1.28pm	3.26
Ireland†	1.4583-1.4630	1.4620-1.4630	0.89-0.80c pm	6.95	2.30-2.20 pm	6.16
Canada	1.3066-1.3115	1.3070-1.3080	0.08-0.11c dis	−0.87	0.20-0.23c dis	0.66
Netherlands	2.0550-2.0640	2.0555-2.0565	0.20-0.17c pm	1.08	0.62-0.57pm	1.15
Belgium	37.70-37.95	37.70-37.80	1-4c dis	−0.79	3-8 dis	−0.58
Denmark	6.86⅞-6.89⅞	6.87⅞-6.87⅞	1.70-2.40ore dis	−3.57	5.50-6.20 dis	−3.40
W. Germany	1.8200-1.8300	1.8210-1.8220	0.39-0.36pf pm	2.46	1.20-1.15 pm	2.57
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Apr. 2	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Apr. 2	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.342	0.549	1.	80.58	3.328	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	4.246	6.807	12.41	1000.	41.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.028	1.648	3.005	242.2	10.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.410	0.657	1.198	96.52	3.986	1.	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.303	0.486	0.886	71.36	2.947	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.480	0.769	1.402	113.0	4.667	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.477	0.765	1.395	112.4	4.641	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.650	2.645	4.823	388.6	16.05	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilt prices easier

GILT PRICES were lower in the London International Financial Futures Exchange yesterday as traders reacted to comments by Mr Nigel Lawson, Chancellor of the Exchequer, suggesting a preference to see sterling around DM2.90 and $1.60. A later clarification by Mr Lawson bocsted sterling but came to late to affect prices in the Liffe market.

Traders saw the pound's potential for further improvement as being inhibited by the earlier remarks and with the prospect of an early cut in base rates taking a further knock so prices were marked down. The June long gilt price opened at 122-13 down from 122-30 and although it touched a high of 123-08, the rally was not sustained and it finished at 122-19.

Three-month sterling deposits acted in much the same way with a small increase in cash rates pushing the June contract down to a low of 90-55 from an opening level of 90-60 before closing at 90-56 compared with 90-64 on Wednesday.

The crucial factor in determining trends appeared to be the performance of sterling. Some dealers suggested that as long as sterling remained around its current level, there would be less pressure for a cut in base rates. Add to this the authorities' traditionally cautious line and uncertainties caused by the timing and outcome of the next general election, and there was little incentive or percentage to push prices firmer.

Three-month Euro-dollar deposits finished on a slightly firmer note.

The Three-month Euro-dollar price for June delivery opened at 93.32 up from 93.26 and touched a best level of 93.35 before closing at 93.33. US Treasury bonds were also firmer, closing at 98-01 in the June contract.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
112	10.40	11.00	0.02	0.26
114	8.43	9.17	0.05	0.43
116	6.55	7.42	0.17	1.04
118	5.00	6.13	0.26	1.39
120	3.30	4.58	0.56	2.20
122	2.18	3.50	1.44	3.12
124	1.25	2.53	2.51	4.15
126	0.50	2.04	4.12	5.30

Estimated volume total, Calls 1,549 Puts 953
Previous day's open int: Calls 20,729 Puts 11,949

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last June	Calls—Last Sept	Puts—Last June	Puts—Last Sept
92	6.10	5.42	0.08	0.44
94	4.24	4.12	0.22	1.14
96	2.55	2.61	0.53	1.63
98	1.36	1.63	1.34	3.01
100	0.45	1.17	2.43	4.19
102	0.18	0.49	4.16	5.51
104	0.06	0.28	6.04	7.30
106	0.02	0.15	8.00	9.17

Estimated volume total, Calls 6 Puts 12
Previous day's open int: Calls 234 Puts 417

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Apr	Calls-Last May	Puts-Last Apr	Puts-Last May
19250	10.84	11.92	0.59	1.67
19500	8.76	10.07	1.01	2.32
19750	6.88	8.39	1.63	3.14
20000	5.24	6.88	2.49	4.13
20250	3.85	5.55	3.60	5.30
20500	2.73	4.41	4.98	6.66
20750	1.86	3.44	6.61	8.19
21000	1.22	2.64	8.47	9.89

Estimated volume total, Calls 1 Puts 37
Previous day's open int: Calls 244 Puts 194

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last				Puts—Last			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last				Puts—Last			Sept.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.60
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.05
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.50
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.60
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.25
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.80
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.20

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last				Puts—Last			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike	Calls—Last				Puts—Last			Mar.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

LONDON

20-YEAR 12% NOTIONAL GILT; 10% NOTIONAL SHORT GILT; THREE-MONTH STERLING; FT-SE 100 INDEX; THREE-MONTH EURODOLLAR; U.S. TREASURY BONDS 8%

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE); IMM—STERLING Se per £; LIFFE—STERLING £25,000 $ per £

	Spot	1-mth.	3-mth.	6-mth.	12-mth.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.5615

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; U.S. TREASURY BILLS (IMM); JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); THREE-MONTH EURODOLLAR (IMM)

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
June	92.918	92.91	92.86	92.97
Sept.	92.69	92.70	92.66	92.76
Dec.	92.488	92.48	92.42	92.54
Mar.	92.27	92.27	92.21	92.14

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
June	0.6598	0.6608	0.6588	0.6677
Sep.	0.6641	0.6650	0.6633	0.6719
Dec.	0.6690	0.6690	0.6678	0.6765
Mar.	—	—	—	0.6720

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
June	295.25	295.50	295.25	291.29
Sept.	297.30	297.35	297.30	293.15
Dec.	299.00	299.00	—	294.95
Mar.	300.30	300.30	—	299.30

MONEY MARKETS

UK rates firmer

INTEREST RATES were a little higher in London yesterday, following comments by Mr Nigel Lawson, Chancellor of the Exchequer, that the Government had a target range for the value of sterling. Rates were marked up because there was a feeling that speculators might test the authorities' resolve by putting downward pressure on the pound. Sterling opened lower but showed little change on the day. Underlying fundamentals were not affected but any remaining prospect of an early cut in base rates took another dent.

UK clearing bank base lending rate 10 per cent since March 18-19

Three-month interbank money was quoted at 10-9⅞ per cent up from 9⅞-9½ per cent on Wednesday. Overnight money traded between a high of 13 per cent and a low of 9¾ per cent.

The Bank of England forecast a shortage of around £800m with factors affecting the market including the repayment of late assistance and bills maturing in officials together with a take up of Treasury bills draining £508m and the unwinding of previous sale and repurchase agreements a further £684m. There was also a rise in the note circulation of £45m. These were partly offset by Exchequer transactions which added £380m and banks' balances brought forward £35m above target.

The Bank gave assistance in the morning of £345m through outright purchases of £58m of eligible bank bills in band 1 at 9⅞ per cent, £56m in band 3 at 9¾ per cent and £4m in band 4 at 9½ per cent.

The forecast was revised to a shortage of around £700m before taking into account the earlier help and the Bank gave additional assistance of £152m through outright purchases of eligible bank bills; £34m in band 1 at 9⅞ per cent, £39m in band 2 at 9½ per cent, £51m in band 3 at 9¾ per cent and £28m in band 4 at 9½ per cent. Late assistance came to £40m, making a total of £537m.

In Frankfurt the Bundesbank left interest rates and credit policies unchanged after yesterday's meeting of the central council. This was in line with expectations.

In Paris the Bank of France left its money market intervention rate unchanged at 7¾ per cent when adding liquidity to the market through purchases of first category paper. There had been speculation that the authorities would take the opportunity to reduce its rate given the recent stability within the European Monetary System. However the dollar's recent instability was probably a factor contributing to the authorities decision to leave rates unchanged.

FT LONDON INTERBANK FIXING

(11.00 a.m. April 2) 3 months U.S. dollars | 6 months U.S. dollars

bid	offer	bid	offer
[illegible]	[illegible]	[illegible]	[illegible]

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Prime rate; Broker loan rate; Fed. funds; Fed funds at intervention — Treasury Bills and Bonds

[illegible]	[illegible]	[illegible]	[illegible]

Apr. 2	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Apr. 2	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 9⅝ per cent; three-months 9½ per cent; Bank Bills (sell): one-month 9⅝ per cent; three months 9½ per cent; Treasury Bills: Average tender rate of discount 9.3157 p.c. ECGD Fixed Finance Scheme IV reference date February 28 to March 31 (inclusive): 10.053 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10¼ per cent from April 1, 1987: Bank Deposit Rates for sums at seven days' notice 5 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 8 per cent; one-three months 8½ per cent; three-six months 8½ per cent; six-nine months 8½ per cent; nine-12 months 8½ per cent; Under £100,000 8 per cent from March 18. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5 per cent.

£200,000,000
Floating Rate Notes 1993

ABBEY NATIONAL BUILDING SOCIETY

(Incorporated in England under the Building Societies Act 1874)

In accordance with the provisions of the Notes, notice is hereby given that for the three months interest period from April 2, 1987 to July 2, 1987 the Notes will carry an interest rate of 10.10% per annum. The interest payable on the relevant interest payment date, July 2, 1987, will be £251.81 per £10,000 principal amount of Notes.

April 3, 1987
The Chase Manhattan Bank, N.A.,
London, Agent Bank

CHASE

$ WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, April 1, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London,
New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing 01-236 9861.

ECU=$US1.14148 SDR1=$US1.28161
As of April 1, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	6 11/16	6¾
Sibor:	6 11/16	6¾

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.6027	Papua New Guinea	Kina	0.9087
Albania	Lek	6.3019	Greece	Drachma	133.50	Paraguay	Guarani (o)	240.00
Algeria	Dinar	4.63	Greenland	Danish Krone	6.849		Guarani (p)	550.00
Andorra	French Franc	6.0463	Grenada	E. Caribbean $	2.70		Guarani (d)	714.50
	Spanish Peseta	127.70	Guadaloupe	Franc	6.0463	Peru	Inti (o) (n) (1)	14.89
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Inti (f)	20.95
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00		Inti (f) (1)	18.62
Argentina	Austral	1.538		Quetzal (u, f)	2.79	Philippines	Peso	20.53
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

n.a. Not available. (m) Market rate. *U.S. dollars per National Currency unit. (p) Parallel Rate. (o) Official rate. (b) Floating Rate. (c) Commercial rate. (d) Preferential. (e) Controlled. (f) Financial rate. (g) Preferential rate. (h) Non essential imports. (i) Floating tourist rate. (j) Public Transaction Rate. (k) Agricultural products. (l) Priority Rate. (s) Essential imports. (t) Exports. (1) Peru, 13 March 87: Inti devalued by approx. 2.1%. (2) Kenya, 31 Mar 87: Shilling devalued against the SDR by approx. 0.55%.
For further information please contact your local branch of the Bank of America.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	THURSDAY APRIL 2 1987 US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	DOLLAR INDEX 1986/87 High	1986/87 Low	Year ago
Australia (94)	123.22	−0.1	113.96	116.38	3.02	124.36	70.18	87.24
Austria (16)	91.97	−0.1	85.06	87.20	1.85	101.62	70.60	75.80
Belgium (47)	115.88	+1.6	107.18	108.17	4.26	118.92	53.75	73.85
Canada (131)	132.00	+1.4	122.09	124.98	2.24	134.35	86.58	96.98
Denmark (39)	112.65	−0.2	104.19	105.34	2.37	124.10	87.87	98.67
France (123)	118.62	+0.3	109.71	112.76	2.26	120.79	57.72	80.72
West Germany (90)	95.03	+0.8	87.89	89.99	2.07	100.33	74.48	82.91
Hong Kong (45)	107.54	+0.5	99.46	107.69	3.14	114.71	62.87	65.44
Ireland (14)	122.13	−1.2	112.96	117.67	3.63	131.44	62.33	82.74
Italy (76)	103.32	+0.0	95.56	100.19	1.57	108.30	46.07	80.56
Japan (458)	133.51	+0.8	123.48	123.81	0.52	133.51	49.46	69.23
Malaysia (36)	131.22	+1.4	121.36	126.84	2.82	135.38	66.67	74.91
Mexico (14)	153.43	−2.3	141.90	189.05	1.08	157.04	43.00	56.82
Netherland (38)	114.67	+2.0	106.06	107.61	4.12	114.67	74.14	82.31
New Zealand (27)	94.30	−0.4	87.21	87.95	3.08	100.59	47.37	62.87
Norway (25)	124.60	+0.0	115.24	115.89	2.11	127.09	90.02	100.53
Singapore (27)	118.69	+1.6	109.78	117.02	3.18	122.51	55.94	58.45
South Africa (61)	166.47	−1.8	153.96	110.28	3.68	175.51	69.06	101.68
Spain (43)	109.09	−0.7	100.89	105.78	3.86	121.31	45.00	74.97
Sweden (33)	111.96	−0.5	103.55	105.45	2.28	115.19	63.35	82.05
Switzerland (51)	98.42	+0.7	91.02	92.71	1.82	104.06	69.01	77.62
United Kingdom (342)	129.00	+0.6	119.31	119.31	3.57	133.88	75.39	99.03
USA (598)	120.74	+1.2	111.67	120.74	3.00	124.06	85.46	99.05
Europe (937)	114.18	+0.6	105.61	107.13	2.93	115.20	69.36	87.88
Pacific Basin (687)	132.10	+0.8	122.18	122.86	0.69	132.10	51.10	69.71
Euro—Pacific (1624)	124.96	+0.7	115.57	116.56	1.51	125.18	58.45	76.86
North America (729)	121.34	+1.2	112.22	120.98	2.96	124.60	85.61	98.95
World Ex. US (1830)	125.67	+0.7	116.23	116.88	1.57	125.90	60.02	77.82
World Ex. UK (2086)	123.25	+0.9	113.99	118.40	1.97	123.49	69.65	84.95
World Ex. So. Af. (2367)	123.48	+0.9	114.21	118.51	2.10	124.06	69.95	86.05
World Ex. Japan (1970)	119.12	+0.9	110.17	115.81	2.96	121.08	79.87	94.25
The World Index (2428)	123.76	+0.9	114.46	118.46	2.12	124.32	70.14	86.15

Base values: Dec 31, 1986 = 100

3.00 p.m. New York prices.

FT-A WORLD INDICES

Owing to incomplete price records, some figures displayed in the FT-A World Indices table for April 1 were published in error yesterday. Corrected indices are as follows:

US DOLLAR INDEX:

Canada	130.18
Mexico	157.04
USA	119.33
North America	119.91
World Ex. US	124.79
World Ex. UK	122.14
World Ex. South Africa	122.36
World Ex. Japan	118.03
The World Index	122.67

POUND STERLING INDEX:

Canada	120.26
Mexico	145.07
USA	110.24
North America	110.77
World Ex. US	115.28
World Ex. UK	112.83
World Ex. South Africa	113.04
World Ex. Japan	109.04
The World Index	113.32

LOCAL CURRENCY INDEX:

Canada	123.39
Mexico	192.73
USA	119.33
North America	119.56
World Ex. US	116.00
World Ex. UK	117.30
World Ex. South Africa	117.42
World Ex. Japan	114.68
The World Index	117.38

EUROPEAN OPTIONS EXCHANGE

Series		May 87 Vol.	Last	Aug 87 Vol.	Last	Nov 87 Vol.	Last	Stock
GOLD C	$390	—	—	—	—	3	52	$430
GOLD C	$420	313	11.50	20	23.20	—	—	"
GOLD C	$440	8	4.50	300	14.20	—	—	"
GOLD C	$460	10	2.50	—	—	42	15.50	"
GOLD P	$370	—	—	—	—	30	3.20	"
GOLD P	$390	50	1.70	—	—	—	—	"
GOLD P	$400	21	2.60	—	—	—	—	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$600	—	—	11	62A	14	68	$634
SILVER C	$700	—	—	—	—	3	31	"
£/Fl C	Fl.325	20	5.50	—	—	—	—	Fl.328.59
£/Fl C	Fl.330	10	3.50	—	—	—	—	"
£/Fl C	Fl.335	—	—	—	—	20	4.90	"
£/Fl P	Fl.325	100	5.30	—	—	1	14.50A	"
		Apr 87		May 87		Jun 87		
$/Fl C	Fl.200	—	—	5	7B	—	—	Fl.206.23
$/Fl C	Fl.205	40	2.80A	9	3.50	5	4.60	"
$/Fl C	Fl.210	225	1	—	—	30	2.40	"
$/Fl C	Fl.215	14	0.40	—	—	—	—	"
$/Fl C	Fl.220	—	—	—	—	33	0.60	"
$/Fl P	Fl.190	—	—	—	—	3	0.50	"
$/Fl P	Fl.200	32	0.50	43	1.40	54	2	"
$/Fl P	Fl.205	15	1.80	11	2.70B	301	4	"
$/Fl P	Fl.210	11	4.60	3	5.90	1	6.90	"
$/Fl P	Fl.215	2	8.90	—	—	6	10.20	"
		Sep 87		Dec 87		Mar 88		
$/Fl C	Fl.200	—	—	—	—	6	11.60	Fl.206.23
$/Fl C	Fl.205	3	6.30	9	7.60	6	8.90	"
$/Fl C	Fl.210	—	—	2	5.50	2	7.10	"
$/Fl C	Fl.215	1	2.80A	—	—	3	5.30	"
$/Fl C	Fl.220	3	1.70	—	—	—	—	"
$/Fl C	Fl.230	—	—	5	1.30	—	—	"
		Apr 87		Jul 87		Oct 87		
ABN C	Fl.520	186	11.50	88	22	22	28.50	Fl.524
ABN P	Fl.500	67	2	42	10.50	1	19	"
AEGON C	Fl.90	249	2.80	103	5.40	11	6.50	Fl.90.70
AEGON P	Fl.90	4	2	68	4.70	—	—	"
AHOLD C	Fl.115	—	—	29	3A	—	—	Fl.108.80
AHOLD P	Fl.115	107	6.70	—	—	—	—	"
AKZO C	Fl.140	819	2	897	4.70	72	7.80	Fl.138
AKZO P	Fl.140	898	4A	364	9.40	164	10.70	"
AMEV C	Fl.70	277	1.80	43	3.80	117	5	Fl.69.80
AMEV P	Fl.60	—	—	—	—	17	1	"
AMRO C	Fl.80	450	3.90	194	6.10	64	7.80	Fl.83.60
AMRO P	Fl.85	112	4	10	4.80	—	—	"
ELSEVIER C	Fl.250	257	11B	157	19	11	23	Fl.260.30
ELSEVIER P	Fl.250	99	3.50	30	9.50A	10	13	"
GIST-BROC. C	Fl.45	288	1.30	281	3	51	4.40	Fl.45.50
GIST-BROC. P	Fl.45	141	1.10A	46	2.80	60	3.90	"
HEINEKEN C	Fl.180	165	3	16	5.70	20	7.80	Fl.178
HEINEKEN P	Fl.170	41	1.40	63	4.30	4	7	"
HOOGOVENS C	Fl.40	1479	0.70	590	1.70	32	3.40A	Fl.35.60
HOOGOVENS P	Fl.35	993	2	417	4.10	253	4.90	"
KLM C	Fl.40	548	1.90	193	3.80	25	4.80	Fl.41.70
KLM P	Fl.40	243	0.90	548	2	52	3.40	"
NED. LLOYD C	Fl.180	65	2.60	101	5.20B	3	7	Fl.174.50
NED. LLOYD P	Fl.170	50	3	11	10	—	—	"
NAT. NED C	Fl.75	748	3.50	425	5.90B	51	7.50	Fl.77.90
NAT. NED. P	Fl.75	131	1	237	3.30B	67	4.90B	"
PHILIPS C	Fl.50	675	1	600	2.70	178	4.10	Fl.49.70
PHILIPS P	Fl.55	18	6.40	992	6.90	10	6.70	"
ROYAL DUTCH C	Fl.250	411	2.90B	880	5.50	273	7.60	Fl.246.10
ROYAL DUTCH P	Fl.240	305	2.50	67	9.80	30	13.30	"
ROBECO C	Fl.100	24	1.70	—	—	12	3.50	Fl.102
ROBECO P	Fl.100	—	—	6	2	—	—	"
UNILEVER C	Fl.600	621	7.30	127	16.50B	95	23.90	Fl.588
UNILEVER P	Fl.580	191	7	25	19.50	20	23.50	"

TOTAL VOLUME IN CONTRACTS: 45,278

A=Ask B=Bid C=Call P=Put

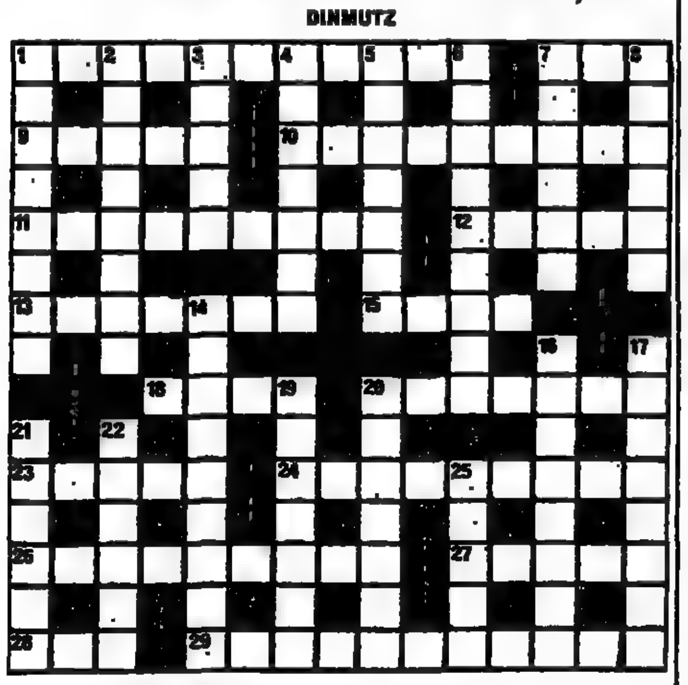
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	● Morgan Grenfell	10
Adam & Company	10	Citibank NA	10	Mnt Credit Corp. Ltd.	10
Allied Arab Bk Ltd.	10	Citibank Savings	¶12.45	Nat Bk. of Kuwait	10
Allied Dunbar & Co.	10	City Merchants Bank	10	National Girobank	10
Allied Irish Bank	10	Clydesdale Bank	10	Nat Westminster	10
American Exp. Bk	10	Comm. Bk. N. East	10	Northern Bank Ltd	10
Amro Bank	10	Consolidated Cred	10	† Norwich Gen. Trust	10
Henry Ansbacher	10	★ Co-operative Bank	10	PK Finans. Intl (UK)	10½
ANZ Banking Group	10	Cyprus Popular Bk	10	Provincial Trust Ltd.	11
Associates Cap Corp	11	Duncan Lawrie	10	R. Raphael & Sons	10
Authority & Co Ltd.	10½	E. T. Trust	11	Roxburghe G'rantee	10½
Banco de Bilbao	10	Equatorial Tst C'p plc	10	Royal Bk of Scotland	10
Bank Hapoalim	10	Exeter Trust Ltd.	10½	Royal Trust Bank	10
Bank Leumi (UK)	10	Financial & Gen. Sec.	10	Standard Chartered	10
Bank Credit & Comm.	10	First Nat. Fin. Corp	11	Trustee Savings Bk	10
Bank of Cyprus	10	First Nat. Sec. Ltd.	11	UDT Mortgage Exp.	¶12.25
Bank of Ireland	10	● Robert Fleming & Co.	10	United Bk of Kuwait	10
Bank of India	10	Robert Fraser & Ptrs.	11½	United Mizrahi Bank	10
Bank of Scotland	10	Grindlays Bank	‡10	Unity Trust PLC	9½
Banque Belge Ltd.	10	● Guinness Mahon	10	Westpac Banking Corp	10
Barclays Bank	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Beneficial Tst Ltd	10	● Hambros Bank	10	Yorkshire Bank	10
Beneficial Trust Ltd.	11	Heritable & Gen. Tst.	10		
Berliner Bank AG	10	● Hill Samuel	§10		
Brit. Bk. of Mid. East	10	C. Hoare & Co	10		
● Brown Shipley	10	Hongkong & Shangh'	10		
Business Mortgage Tst.	10	Lloyds Bank	10		
CL Bank Nederland	10	Maze Westpac Ltd.	10		
Canada Permanent	10	Meghraj & Sons Ltd.	10		
Cayzer Ltd.	10	Midland Bank	10		

● Members of the Accepting Houses Committee. ★ 7-day deposits 5.35%. Sovereign 8.03%. Top Tier—£2,500+ at 3 months' notice 9.38%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 5¾% gross. ¶ Mortgage base rate. § Demand deposit 5.35%. Mortgage 11.25%.

FT CROSSWORD PUZZLE No. 6,294

DINMUTZ



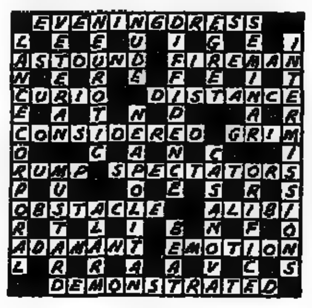
ACROSS

1 Heather fail badly? He might suggest a cure (5-6)
7 Rail stop (3)
9 Sovereign with straight edges (5)
10 Weekly bread-wrapper (3-6)
11 What makes Rover off-colour? (9)
12 This insect-larva is a dull creature, right? (5)
13 Messenger, the smallest of Holst's subjects (7)
15 Dr Who somehow not right in this craft (4)
18 Either way, it is a furtive look (4)
20 Profit—thanks to double books (7)
23 Tithe taken from tenant enthusiastically (5)
24 Air that made Rouen different? (9)
26 Describing either of the two main airways (9)
27 Sort of boom in which coins are exchanged (5)
28 The Spanish male would, we hear, become endangered here (3)
29 It could be light tomorrow, in Paris, for the juggling (11)

DOWN

1 Discharged a member for what is dangerous in mine (3)
2 Deceptive, our silly outbreak (8)
3 Husky, we hear, is an animal used for draught work (5)
4 Pleasant acceptance of the fare? (7)
5 Like some seams set to shoot underground (7)
6 7 ac on the way? (4-5)
7 Turnover we might expect from such a hothouse (6)
8 Jack, overdrawn, to slow down (6)
14 Tie launch loosely? That is improper (9)
16 State of being constantly not well off? (8)
17 Piece of pot for banishment (8)
19 Bear loses weight—it is the stuffing (7)
20 Acrobat found in a lock (7)
21 Reliable string of racehorses (6)
22 Grass playing well? (6)
25 Man, perhaps, following a passage in church (5)

Solution to Puzzle No. 6,293



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

هكذا اصل الأصل

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

M & G Group—Contd.
Pensions Funds

American (Cap)	130.3	146.9	+2.7	—
American (Acc)	438.9	461.9	+3.9	—
Building Soc (Cap)	93.7	98.5	+0.1	—
Building Soc. (Acc)	130.1	136.7	—	—
Deposit (Cap)	153.8	161.6	—	—
Deposit (Acc)	213.7	224.5	—	—
European (Cap)	140.2	147.3	—	—
European (Acc)	194.7	204.5	—	—
Equity (Cap)	393.2	413.0	-4.0	—
Equity (Acc)	545.8	573.2	-5.6	—
Gilt (Cap)	242.7	254.9	-1.0	—
Gilt (Acc)	337.1	354.1	-1.4	—
Gold (Cap)	106.7	112.1	+0.4	—
Gold (Acc)	148.2	155.7	+0.6	—
Index-Linked (Cap)	95.6	100.5	-0.9	—
Index-Lnkd Gilt (Acc)	132.8	139.4	-1.1	—
International (Cap)	110.2	115.8	+0.7	—
International (Acc)	153.1	160.8	+0.9	—
Intl Inc (Cap)	107.2	112.7	-0.2	—
Intl Inc (Acc)	149.0	156.5	-0.3	—
Japan (Cap)	128.7	135.2	-2.0	—
Japan (Acc)	178.8	187.9	-2.7	—
Managed (Cap)	306.0	321.4	—	—
Managed (Acc)	425.0	446.4	-1.8	—
PPP Fund (Cap)	290.8	305.4	—	—
PPP Fund (Acc)	404.0	424.3	—	—
Pacific (Cap)	257.1	270.0	+4.1	—
Pacific (Acc)	357.1	374.6	+5.6	—
Property (Cap)	132.2	138.9	—	—
Property (Acc)	183.7	192.9	—	—
Recovery (Cap)	187.0	196.4	-1.3	—
Recovery (Acc)	259.7	272.8	-1.8	—
UK Income (Cap)	107.9	113.4	-1.0	—
UK Income (Acc)	149.9	157.5	-1.3	—
Personal Pension (Acc)	1620.6		+1.5	—

National Mutual Life
5 Bow Churchyard, London EC4M 9DH 01-236 1566

Managed Fund	187.0	196.9	-2.8	—
Managed Prospect Fund	146.7	154.5	+1.0	—
UK Equity Fd	219.0	230.6	-4.7	—
Fixed Interest	146.5	154.3	+2.3	—
Pacific	183.0	192.7	-1.9	—
North American	116.9	123.1	-1.3	—
Pens. Managed	220.2	231.8	-3.8	—
Pens. UK Equity	262.0	275.8	-5.5	—
Pens. Overseas Equity	300.1	315.9	-3.0	—
Pens. Property	116.8	123.0	—	—
Pens. Fixed Interest	156.3	164.6	-3.8	—
Pens. Index Linked	123.6	130.2	—	—
Pens. Deposit	142.2	149.7	+0.3	—
P.R.P. UK Equity	113.2	119.2	-2.4	—
P.R.P. Overseas Equity	106.2	111.8	-1.0	—
P.R.P. Fixed Interest	105.6	111.2	+2.6	—
P.R.P. Property	96.1	101.2	+0.1	—
P.R.P. Index Linked	111.1	117.0	+0.1	—
P.R.P. Deposit	97.4	102.6	+0.1	—
P.R.P. Managed	109.7	115.5	-1.0	—
P.R.P. With Profits	97.7	102.9	+0.3	—

National Mutual of Australasia
Serpentine Rd, Poole, Dorset 0202 680646

Fixed Interest	134.29	141.36	—	—
Guaranteed Deposit	117.26	123.43	—	—
International	169.47	178.39	—	—
Managed	146.34	154.04	—	—
Property	129.83	136.66	—	—
UK Equities	182.55	192.55	—	—
Pens Fixed Interest	126.08	132.71	—	—
Pens Gtd Deposit	117.46	123.63	—	—
Pens International	184.62	194.33	—	—
Pens Managed	157.79	166.09	—	—
Pens Property	141.90	149.36	—	—
Pens UK Equities	141.13	149.60	—	—

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
100	95	Funding 6½pc 85-87	99	+⅛	6.52	9.83
101½	96	Treas. 10pc 1987	100	.....	10.00	9.77
98	90	Treas 3pc 1987	98	.....	3.04	7.33
104	99	Treas. 12pc 1987	101		11.82	9.25
99	92	Treas 7¾pc 1985-88‡‡	98		7.83	8.98
104	96	Exch 10½pc '88	101		10.37	9.28
102	95	Treas 9¾pc Cv '88	100		9.71	9.35
95	86	Transport 3pc '78-88	95		3.14	6.77
102	93	Treas. 9½pc '88	100		9.48	9.31
107	98	Treas 11½pc 1989	103		11.09	9.30
103	93	Treas 9½pc Cnv 1989	100		9.46	9.27
93	82	Treas 3pc 1989	92		3.25	6.90
105	95	Treas 10½pc 1989	102		10.27	9.31
104	94	Exch 10pc 1989	101		9.86	9.29
107	97	Exch 11pc 1989	103		10.61	9.26
94	84	Treas 5pc 1986-89	93		5.36	7.95
110	94	Exch 10½pcCv '89	104		9.84	8.43
114	103	Treas 13pc 1990‡‡	109		11.88	9.07
108	97	Exch 11pc 1990‡‡	104		10.52	9.15
113	101	Exch. 12½pc 1990	108		11.52	9.15
89	79	Treas. 3pc 1990	89		3.37	6.96
100	89	Treas 8¼pc 1987-90‡‡	98		8.38	8.79
106	93	Treas. 10pcCv 1990	102		9.75	9.14
87	76	Exch 2½pc 1990	86		2.89	6.78
112	99	Treas 11¾pc 1991	108		10.88	9.17
94	83	Funding 5¾pc '87-91‡‡	93		6.17	7.76
86	79	Treas. 3pc 1991	86		3.48	6.93
109	95	Treas. 10pc Cv '91	105		9.484	8.44
110	96	Exch. 11pc 1991	106		10.30	9.14
118	105	Treas 12¾pc 1992‡‡	113		11.21	9.14
107	92	Treas 10pc 1992	103		9.70	9.19
		Five to Fifteen Years				
109	94	Treas 10½pc Cv 1992‡‡	105		9.99	9.21
117	101	Exch. 12¼pc '92	112		10.91	9.29
123	106	Exch 13½pc 1992	117		11.49	9.33
108	93	Treas 10pc 1993‡‡	103		9.66	9.23
120	103	Treas 12½pc 1993‡‡	114		10.88	9.30
92	78	Funding 6pc 1993‡‡	91		6.60	7.80
128	109	Treas 13¾pc 1993‡‡	120		11.37	9.42
133	113	Treas 14½pc 1994‡‡	125		11.51	9.31
127	108	Exch 13½pc 1994	120		11.19	9.42
106	97	Treas. 10pc Ln. 1994	103		9.64	9.28
122	103	Exch. 12½pc 1994	116		10.76	9.40
104	86	Treas 9pc 1994‡‡	99		9.08	9.15
120	101	Treas 12pc 1995	114		10.52	9.40
81	68	Exch 3pc Gas 90-95	79		3.77	6.25

BRITISH FUNDS—Contd

1986/87 High	Low	Stock		Price £	+ or −	Yield (1)	(2)
		Index-Linked (b)					
129	115	Treas. 2pc '88	(297.1)	129	+	—	2.63
114	99	Do. 2pc '90	(333.9)	114	−	1.30	2.45
96	95	Do. 2pc '92‡‡	(385.8)	95	−	2.21	2.90
127	108	Do. 2pc '96	(267.9)	127	+	3.06	3.42
110	94	Do 2½pc '01	(308.8)	110	+	3.20	3.50
110	93	Do. 2½pc '03	(310.7)	109	+	3.24	3.46
113	96	Do. 2pc '06	(274.1)	112	+	3.25	3.43
107	92	Do. 2½pc '09	(310.7)	107	+	3.21	3.38
113	96	Do. 2½pc '11	(294.1)	112	+	3.20	3.35
95	80	Do. 2½pc '13	(351.9)	94	+	3.16	3.32
103	87	Do. 2½pc '16	(322.0)	102	+	3.15	3.28
101	85	Do. 2½pc '20	(327.3)	100	+	3.11	3.24
86	77	Do. 2½pc '24 ‡‡	(385.3)	85	+	3.06	3.18

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for July 1986: 384.7 and for February 1987: 100.4 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1986/87 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
116	92	African Dv Bk 11¼Ln 2010	108	.....	10.29	10.19
111	88	Asian Dev Bk 10⅝pcLn2009	104	.....	9.84	9.78
136	111	Australia 13½pc 2010	130	.....	10.34	10.07
119	95	Do. 11¾pcLn2015	112	.....	10.09	10.01
117	95	Euro Inv Bk 11pc Ln 2002	110	.....	9.95	9.67
112	91	Do. 10⅝pc2004	106	.....	9.78	9.64
127	105	Int-Am Dev Bk 12½pc 2003	121	.....	10.31	9.81
104	84	Do. 9¼pcLn 2015	99	.....	9.79	9.79
95	81	Mysia 10¾pcLn 2009	92	.....	11.68	11.76
103	93	Malaysia 12¼pc '88	101	.....	12.13	11.34
104	101	NZ 14¼pc 1987	101	.....	14.06	8.79
116	94	Do. 11¼pc 2008	110	.....	10.23	10.09
119	96	Do 11½pc 2014	113	.....	10.18	10.08
135	112	Sweden 13½pc Ln 2010	130	.....	10.33	10.05
114	92	Do 11pc Ln 2012	109	.....	10.09	10.01
106	88	Utd. Mexican States 16½pc	102	.....	16.18	14.77

CORPORATION LOANS

1986/87 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
112	103	Birmingham 13½pc 1989	107	.....	12.56	10.40
120	99	Do. 11½pc 2012	114	.....	10.02	9.90
103	100	Burnley 13pc 1987	101	.....	12.89	10.81

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

FOREIGN BONDS & RAILS—Contd

1986/87 High	Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
52	45	Greek 7pc Ass.	45	.....	9.50	17.78
52	44	Do. 6pc 28 Stb. Ass.	45	.....	3	16.67
50	42	Do 4pc Mixed Ass.	47	.....	2	14.29
77	60	Hung. '24 Ass.	65	.....	2.75	14.37
145	122	Hydro Quebec 15pc 2011	141	.....	15.00	10.31
92	84	Iceland 6½pc '83-88	92	.....	6.50	12.17
135	113	Do. 14½pc Ln. 2016	129	.....	14.50	11.08
104	84	Ireland 9¾pc '91-96	100	.....	9.75	9.70
98	87	Japan 6% '83-88	95	.....	—	—

AMERICANS

1986/87 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
44	22	Abbott Laboratories	39	+2	84c	—	1.4
18	11	Ahmanson (H.F.)	14	−	88c	—	3.9
32	22	Alcoa $1	26	+	$1.20	—	2.9
19	11	Allegheny & W $0.01	17	+	24c	—	0.9
12	721p	Amax $1	11	−	—	—	—
26	947p	Amdahl 5c	22	+	20c	—	0.6
64	38	Amer. Cyanamid $5	57	+	$1.90	—	2.1
50	35	Amer. Express $0.60	46	.....	$1.44	—	2.0
14	910p	Amer Medical Int. $1	12	+	72c	—	3.8
19	14	American T. & T. $1	15	+	$1.20	—	5.2
67	46	Ameritech $1	55	−	$4.72	—	5.5
20	14	Amlacil	18	+	—	—	—
23	13	Anheuser-Busch $1	20	+	$2.00	—	6.2
67	31	AridTech	50	−1	—	—	—
12	710p	BankAmerica $1	7	−	—	—	—
35	24	Bankers N.Y. $10	28	.....	$1.66	—	3.8
822p	474p	BASIX Corp.	518p	+11	12c	—	1.5
51	34	Bell Atlantic $1	41	−	$3.84	—	6.0
15	3	Bethlehem Steel $8	6	+	—	—	—
20	8	Bio-Rad Labs. Inc. 'A'	16	.....	—	—	—
26	15	Bowater Inc.	24	.....	80c	—	2.2
39	21	Browning-Ferris 16⅔c	37	+	80c	—	1.4
30	15	Brunswick	29	−	60c	—	1.3
32	16	CPC Intnl. 25c	31	+	$1.24	—	2.6
25	18	CSX Corp U.S.$1.00	19	+	$1.16	—	3.8
26	18	CalFed Inc $1.00	21	−	60c	—	1.8
44	31	Campbell Soup 30c	43	+	$1.44	—	2.2
37	25	Caterpillar Inc $1.00	36	+	50c	—	1.1
610p	300p	Centrey Corp. 25c	487p	+11	4c	—	0.5
32	23	Chase Manhattan $12.5	24	+	$2.16	—	5.8
37	27	Chemical New York	27	+	$2.72	—	6.4
35	19	Chrysler $6¼	35	+1	$1.50	—	2.7

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1986/87 High	Low	Stock	Price $	+ or –	Div Gross	C'vr	Y'ld Gr's
36⅝	17⅞	Sara Lee $1	29⅜xd	–⅜	$2.00	—	4.4
13	10⅛	Saul (B. F.) $1	16⅞	+⅛	20c	—	1.2
81¼	55¼	Southwestern Bell $1	73	–⅛	$6.96	—	6.2
21½	14¼	Staley Continental	16⅞	.....	80c	—	3.1
43¼	29¾	Sun Co. Inc. $1	43⅛xd	+⅝	$3.00	—	4.5
74	57¾	TRW Inc. $1¼	63⅞xd	+⅛	$3.20	—	3.2
31	23⅞	Tenneco $5	30¾	+⅜	$3.04	—	6.5
184½	135	Do. 10pcLn.Stk. 91-5	184½xd	.....	10%	—	5.7
26¼	18½	Texaco $6.25	23⅞xd	+⅜	$3.00	—	8.1
60⅞	41¼	Time Inc. $1	53⅞	+1⅛	$1.00	—	1.2
15⅝	11½	Tracor $0.33	12⅞	–⅜	36c	—	1.8
27⅛	20⅝	Transamerica $1	21xd	.....	$1.76	—	5.4
14⅞	781p	Transworld Corp $5	10⅝	–⅛	20c	—	1.2
42⅞	19⅝	Trinova Corp.	41⅞	+⅞	$1.40	—	2.2
19⅝	10⅝	♥USX $1	17⅛	–⅛	$1.20	—	4.4
18⅞	975p	Union Carbide $1	17⅝	–⅛	$1.50	—	5.5
37⅞	26⅞	Utd. Technologies	31⅞	+⅛	$1.40	—	2.8
41⅝	29⅞	US West‖	34¼	.....	$3.04	—	5.8
32	20⅛	♥Woolworth $3½	31¼	+½	$1.12	—	2.3

CANADIANS

1986/87 High	Low	Stock	Price $	+ or –	Div Gross	C'vr	Y'ld Gr's
32½p	20p	♥Abbot Energy Corp.	21½p	.....	—	—	—
20½	980p	♥Amer. Barrick Res.	20½	.....	—	—	—
83p	36p	Armeno	77½p	–½	—	—	—
19⅝	13¼	Bk. Montreal ‖	16⅛	–⅛	$2.00	—	5.9
10½	595p	Bk. Nova Scot.‖	900p	–1	72c	—	3.8
20¾	17⅛	BCE ‖	20⅛	+⅛	$2.40	—	5.6
960p	457p	♥Bow Valley‖	882p	+35	10c	—	0.5
19¼	11¼	♥Brascan‖	17⅞	+⅛	88c	—	2.4
456p	233p	♥Breakwater Res.	456p	+2	—	—	—
11⅝	820p	Can.Imp.Bk. $2	10⅜xd	–⅛	$1.08	—	5.0
12	692p	Can. Pacific ‖	12xd	+⅛	48c	—	1.9
42	35	Do. 4pc Deb £100	42	.....	4%	—	9.5
24¼	875p	♥Echo Bay Mines	24½	–⅛	20c	—	0.4
777p	289p	♥Granges Explo‖	762p	–15	—	—	—
33p	10p	♥Gt Pacific Res.	12p	+½	—	—	—
14⅛	620p	♥Gulf Canada‖	13¼	–⅛	32c	—	1.9
15	10½	♥Hawker Sid Can‖	13	+⅛	96c	—	3.5
750p	100p	Heslys Group	636p	+6	—	—	—
15⅝	11	Hudson's Bay ‖	15½	.....	60c	—	2.1
33⅞	16¼	♥Imperial Oil‖	31⅞	+⅛	$1.60	—	2.4
11⅞	731p	Inco‖	10¼xd	+⅛	US$0.20	—	1.3
20¾	550p	♥Intl. Corona Res.	20¾	+⅛	—	—	—
701p	500p	♥Inland Nat. Gas $1	666p	+8	60c	—	4.3
268p	122p	♥Muscocho Expln.	252p	+1	—	—	—
22⅞	748p	♥Ntrl Business Syst.‖	978p	–1	—	—	—
13½	965p	♥Rio Algom	11⅛	–⅛	65c	—	2.8
19⅝	13¼	Royal Bk. Can. ‖	16⅛	+⅛	$2.00	—	5.9
49½	30¾	Seagram‖	47	+⅛	US$1.60	—	1.5
14⅞	10½	Toronto-Dom. Bk.‖	13½	+⅛	84c	—	3.0
10	753p	♥Trans Can Pipe	960p	–1	$1.12	—	5.6
223p	125p	Varity Corp‖	137p	+3	—	—	—

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

هكذا أصل

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

FINANCE, LAND—Cont.

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1986/87 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
475	180	Abbeycrest Group 10p	375	−75	3.2	—	1.2	—
50	10	Aberdeen Am Pet 10p	32	.....	—	—	—	—
120	111	Allied Ins. Brokers	113	.....	L3.9	2.5	4.4	13.1
60	36	Catalyst Comm. 5p	58	+4	—	—	—	—
68	24	Certon Beach 10p	58	.....	—	—	—	28.6
185	121	Edenspring Investment	185	+15	—	—	—	—
63	10	Egliston Oil Ir 5p	34	.....	—	—	—	—
41	8	Do. Warrants	19	.....	—	—	—	—
29	17	Publishing Hldgs 5p	27	.....	—	—	—	15.6
56	46	Thame Holdings	54	+1	—	—	—	27.4
135	115	Unit Group	115	.....	ΦL6	2.5	5.6	(8.2)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	73	.....
Craig & Rose £1	£25¼	.....
Finlay Pkg. 5p	60	.....
Holt (Jos) 25p	[illegible]	+3
IoM Stm. £1	95	.....
IRISH		
Fund 11¼% 1988	[illegible]	.....
Nat. 9¾% 84/89	[illegible]	.....
Fin. 13% 97/02	£107⅝	−1½
Arnotts	360	+20
CPI Hldgs	93xd	.....
Carroll Inds.	125	.....
Dublin Gas	5	−½
Hall (R. & H.)	112	.....
Heiton Hldgs.	31	.....
Irish Ropes	178	.....
Unidare	400xd	−5

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd	55
BOC Grp.	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	28
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	56	TSB	8
Brit. Telecom	28	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	18	Brit Land	37
Glaxo	110	Land Securities	50
Grand Met	40	MEPC	52
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	40
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	35	Ultramar	17
Lloyds Bank	48	**Mines**	
Lucas Inds	55	Cons Gold	65
Marks & Spencer	18	Lonrho	24
Midland Bk	55	Rio T Zinc	65
Morgan Grenfell	35		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Mar 23	Apr 2	Apr 3	Apr 13
Apr 6	Apr 23	Apr 24	May 5
Apr 27	May 7	May 18	May 28

* New time dealings may take place from 9.00 am two business days earlier.

Government bonds firm in late dealings and shares follow Wall Street higher

The UK securities markets remained cautious yesterday as traders and fund managers awaited the outcome of the US-Japanese dispute over trade balances. Equities, taking their cue from the New York and Tokyo markets, staged a partial rally after three sessions of falling share prices. Government bonds ended firmly with most of the attention still focusing around the Liffe Gilt Futures sector.

In the current uncertainties surrounding the dollar and global trade balances, managers of the international funds are unwilling to take up investment positions for the new fiscal year, which is now effectively under way in London and Tokyo.

UK exporting stocks benefited from reported comments on sterling policy by the Chancellor of the Exchequer and stayed firm in late dealings when he clarified his remarks.

The City was not upset by reports that the British Cabinet had repeated threats to take trade sanctions against the Japanese banks in London.

Shares rushed up in early dealings, topped off, and then remained firm for the rest of the day, helped at the close by a firm opening in New York.

The FT-SE 100 index climbed 14.6 to 1987.7, while the FT ordinary added 9.6 to 1567.6.

Shell provided one of the better spots, leading the oil sector ahead in anticipation of a recovery trend on Wall Street.

Imperial Chemical Industries and **Jaguar**, which would both benefit if sterling is restrained from rising further, moved sharply higher. Engineering issues to recover ground included **GKN**, **Glaxo**, looking for renewed support from Japan, stood out strongly.

Among the more domestically-orientated stocks, the store retailers were active, behind trading figures from **Burton**, and scattered speculative situations.

Government bonds reversed falls of ⅜ or so to close with net gains of ¼ point after Mr Lawson denied reports that he had set precise targets for the dollar and D-Mark. A rising pound has been a bull factor for sterling, and traders backed off yesterday morning on reports that the Chancellor had set sterling targets of around $1.60 and DM 2.90.

Confirmation that **Friends Provident** had at last sold its 24 per cent stake in **Guinness Peat**—to New Zealand-based banking and investment concern, Equticorp, for 110p per share—saw GP advance strongly to 109p before closing 6 better on balance at 107p. Other Merchant banks rallied well from recent depression. **Hill Samuel**, in which Mr Larry Adler's FAI Insurances holds a near-15 per cent stake, recovered 17 at 428p, while **Morgan Grenfell** picked up 18 at 386p. **Kleinwort Benson**, a particularly dullmarket since the annual results were announced on Tuesday, rallied 20 at 512p. **Hambros** put on 8 at 258p and **Mercury International** firmed 5 at 373p. Among Hire Purchases, revived rumours of a stake changig hands lifted **Equity and General** 1½ to 34p.

Speculation about an imminent bid for Lloyd's broker **Hogg Robinson** from the **TSB**, flush with cash from its successful flotation last year, intensified. Hogg advanced strongly to 409p at one stage before ending an active session 12 higher on balance at 405p; TSB held the overnight level of 86p. Elsewhere, comment on the excellent preliminary figures helped **Sun Alliance** rise 19 more for a two-day gain of 55 at 832p. Perennial takeover favourite **Commercial Union** moved up 7 to 321p and **Royals** gained 5 at 964p. **London and Manchester** closed 10 up at 225p following the results and **Sun Life** firmed ¼ more at £11⅛ after further consideration of the annual results.

The intention to sell Martin the Newsagents and other retail interests generated institutional business in **Guinness**, up 8 at 324p. Volume increased to 7.6m shares as analysts calculated the likely benefits of the sale which, accordig to L. Messel & Co., could amount to £250m plus. Remaining Brewery leaders merely hardened but cidermakers attracted demand and **H. P. Bulmer** jumped 8 to 192p.

In Buildings, **George Wimpey**, reporting shortly revived with a gain of 5 at 215p, while **John Laing** hardened a few pence to 504p following preliminary figures much in lie with market estimates. **Marley** eased to 142p after the anual figures, but rallied strongly following an analysts' meeting to close 8 higher at 152p. Renewed demand in a restricted market lifted **Helical Bar** 70 to 860p, after 880p. **Bett Brothers** gained 17 to 115p in similar circumstances, while **Berkeley Group** put on 12 to 350p following Press comment. **Raine Industries** were supported and moved up 14 to 130p.

Coates Brothers A replied strongly to the annual results with a gain of 17 at 230p. **Thurgar Bardex**, figures due shortly, were 9 higher at 104p.

Revived rumours that **Gussies** were stakebuilding prior to launching a full scale bid for **Harris Queensway** sparked off heavy speculative buying of the latter in the early stages and the shares were soon being quoted at 234p bid by market makers. However, a categorical denial by Gussies of any such intentions induced profit-taking which took HQ back to a close of 214p, still 11 up on balance; **Gussies "A"** retreated ⅛ at £12¼. **Burton**, meanwhile, reported interim profits around the middle of market expectations at £92.2m—brokers' estimates had ranged between £90m and £95m—and closed 3 easier at 294p. Elsewhere in Stores, **Paul Michael Leisure** gained 12 at 62p and **Stirling Group** rose 8 at 148p, while **Blacks Leisure** put on 3 to 21½p with the help of call option activity. **Underwoods** added 5 at 193p, but **Empire** cheapened 6 to 220p after profit-taking in the wake of the preliminary figures.

Cable and Wireless shrugged aside the current controversy surrounding its attempt to enter the Japanese telecommunications industry and rallied 11 to 378p on news of the £82m deal whereby the company is to help instal and run a submarine optical fibre system in Malaysia. Elsewhere in Electricals, strong rumours of an imminent bid from Racal helped **Holmes Protection**, formerly SCUSA, jump 19 to 184p. Helped by the efforts of a large buyer following the group's recent reorganisation proposals helped **Chloride** feature with a gain of 7 to 76p, while **Amstrad** revived with a speculative improvement of 8 at 185p. **Wordplex** also reflected takeover speculation at 164p, up 10, and **BSR** gained 6 at 112p. **Sound Diffusion** revived at 59p, up 4½p and **Cifer** rallied 6 to 34p.

Interest in the Engineering sector centred chiefly on secondary issues. **Matthew Hall** featured a rise of 10 at 182p on news of the engineering design contract from the Central Electricity Generating Board, but disappointing half-year figures caused a setback in **Christy Hunt**, down 6 at 45p. Speculative activity left **Cronite** 13 higher at 115p and **B. Elliott** 7 to the good at 93p, but **Weir Group** eased 4 to 174p after the annual results and proposed rights issue to raise approximately £10.9m net. **Glynwed** rallied 6 to 424p, while **Aurora**, reflecting comment on the annual results, improved 4 to 93p. Among the leaders, **GKN** firmed 13 to 322p in a volume of 3.8m shares.

Fresh developments in the **Avana/Ranks Hovis McDougall** bid battle provided two of the few movements of note in an otherwise subdued Food sector. Avana rose 32 to 804p following the increased and final share-exchange offer with cash alternative of 800p per share from RHM; Avana has rejected the new bid and has hinted that another bid for the company may emerge. **RHM** closed 8 lower at 311p.

Helped by the steadier trend on Wall Street, international stocks trended a little better. **Glaxo** edged up to close ⅛ higher at £14⅛ while **BTR** and **BOC** both ended a few pence better at 319p and 421p respectively. **Beecham**, however, down 8 at 530p, failed to benefit from the sale of Roberts Consolidated Industries for £28m. Satisfactory results from **Reckitt and Colman** left the share price 13 higher at 975p, while better-than-expected preliminary figures promped strength in **Cookson** which advanced 23 to 596p. **Vinten**, still responding to favourable Press mention, improved 8 more to 177p. **British Aerospace**, helped by aircraft contract news and the purchase of the Royal Ordnance, closed 20 to the good at 641p in a volume of 3.4m shares. **Hawley Group** edged up 5 to 147p after acquisition news, while **Christies International**, still responding to the recent figures, put on 10 further to 416p. **Metal Closures** hardened 7 to 225p on the announcement that Suter has increased its holding in the company to 16.67 per cent. **Pentland Industries** rallied 12 to 720p after the recent sustained bout of profit-taking. **Bodycote** improved 18 to 488p in a thin market and **Stainless Metalcraft** were also noteworthy for a gain of 13 at 198p.

Leisure issues attracted selective buying interest. **WSL**revived strongly and closed 16 higher at 194p, while **Julianas** put on 7 to 70p. **Fairline Boats** picked up 18 at 253p and **Samuelson** were 14 higher at 157p. **Media Technology** jumped 15 to 128p; a bid approach from Lee International came too late in the day to have any further impact on the price.

The announcement of a $75m Convertible bond issue, maturing in 2002, put **Lucas Industries** back in the spotlight and the shares rebounded 15 to 578p. Motor issues hit hardest in the recent downturn rallied, **Lex Service** regaining 19 to 391p and **T. Cowie** recovering 7 to 380p. **British Car Auction**, currently in receipt of a recommended offer from Hawley, rose 11 to 245p.

Newspapers moved up with **EMAP "A"** gaining 8 to 191p and **Associated** rising 6 to 511p. USM-quoted **Musterlin**, however, weakened 19 to 205p after the annual figures. A newsletter recommendation was responsible for a rise of 16 to 206p in **Ault & Wiborg**, while **DRG** rallied 13 to 418p and **Trade Promotion** improved 10 to 290p. Dull features were rare but included **Ferry Pickering**, down 12 at 171p after disappointing mid-term results, and **FKB**, which fell 20 to 280p. **Saatchi and Saatchi**, after the recent debut on the Paris bourse, bounced 29 to 679p. Awaiting today's full-year figures, **Geers Gross** hardened to 88p.

Leading Properties gave a lack-lustre performance, but several secondary issues made useful progress. **Parkdale**, the subject of traditional option activity recently, touched 119p prior to closing 11 higher at 113p. **Alfred Walker**, in which dealings resumed on Wednesday following details of a rights issue to partly finance the acquisition of two property development companies, moved up to 248p before easing back to close 8 cheaper on balance at 230p. **Markheath Securities** gained 6 more to 111p; **Adelaide Steamship** recently agreed to take a near 50 per cent stake in the company via a subscription of £18m cash for 30m new shares at 60p.

Bid hopes inspired fresh activity in **Cosman Bros**, which moved higher still to 29p before settling a net 2 dearer at 27p.

The award of a British Rail contract worth £1.5m boosted **Atkins Bros**, up 14 at 270p, while revived speculative demand took **Palma 5** higher to 80p.

British and Commonwealth bounced back after a weak three-day spell to end 15 up at 447p, while **Authority Investments** rose 25 to 436p following comment on the latest acquisition and proposed fund raising. **Edinburgh Fund Managers** gained 6 to 296p and **York Trust** improved to 82p, the latter after news that it bought a significant stake in London Commodity Futures, a leading LIFFE market player. Against the trend, **Asset Trust** slipped 3 more to 86p.

Recently depressed oil shares staged a good rally with interest stimulated by the early rise on Wall Street and a firm showing by crude oil prices. **BP** ended the session 17 higher at 913p and **Shell** moved up ⅛ to £12⅝. **British Gas** were 1 firmer at 90p after a turnover of more than 10m shares.

LASMO added 9 to 255p in belated response to the recent preliminary figures while buying ahead of the figures due on April 9 lifted **Burmah** 11 to 486p.

Polly Peck's sustained recovery since the turn of the year continued apace. Institutional investors now seem to regard the stock as a quality investment and further purchases by fund managers yesterday found the market short of supplies. The sharp advance in the shares was accelerated as marketmakers covered open commitments, bringing a close of 14 higher on the day at 235p. Improving palm oil prospects coupled with a slightly easier sterling exchange rate touched off support of **Harrisons & Crosfield**, 10 up at 488p, while **Boustead** again celebrated the return to profitability by rising 2 more to 44p.

A generally depressed mining market contained one of the day's best performers in **Central Norseman** which, still boosted by the proposed seven for one bonus issue, leapt a further £1⅞ to £11; at the start of th week Central Norseman share were changing hands around 760p. **Gold Mines of Kalgoorlie** added 19 more to 299p, a two-day gain of 34 following the four-for-one share split.

South African Golds registered hefty falls for the second consecutive session. Another less than convicing showing by precious metals coupled with a flurry of American selling overnight saw Gold shares marked down sharply at the outset. Prices continued to lose ground during the morning and early afternoon, to the accompaniment of a step fall in the financial rand, but gradually picked up later in the day on the appearance of cheap buying interest from the US.

The Gold Mines index dropped 12.0 more to 433.5 for a two-day decline of 21.6.

In the leaders the severest losses were recorded by **Vaal Reefs**, £1¾ lower at £79¼, **Randfontein**, £1¼ off at £90⅞ and **Buffels**, £1½ easier at £14⅝. **Beatrix** gave up 19 to 380p and **Blyvoor** 28 to 458p.

South African Financials were featured by **De Beers** which lost 13 to 818p in the wake of sizable American selling pressure. Platinums, on the other hand, continued to edge higher reflecting a stock shortage.

The London-domiciled **Consolidated Gold Fields** mirrored the change of direction in golds and slipped 14 to 939p.

Traded options

British Gas were again active in the traded options market, recording 5,884 calls and 289 puts. Overall, 45,192 deals were transacted, comprising 37,137 calls and 8,055 puts.

Traditional Options

- First dealings March 13
- Last dealings April 11
- Last declaration July 9
- For Settlement July 20

For rate indications see end of Unit Trust Service

Stocks dealt in for the call included Glentree, Polly Peck, Gilbert House, Amstrad, Logica, Riley Leisure, Abaco, Cifer, Parkdale, Quest Automation, S. Jerome, Associated British Engineering, Property Trust, Munton Bros., Stormguard, Stockley, Tricentrol, Blacks Leisure, Boustead, Time Products, Federated Housing, Benlox and Heywood Williams. No puts were reported, but a double option was arranged in Parkdale.

FINANCIAL TIMES STOCK INDICES

	Apr. 2	Apr. 1	Mar. 31	Mar. 30	Mar. 27	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	89.91	90.14	90.28	89.97	90.67	91.47	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.37	97.77	97.76	97.71	97.43	95.97	97.98 (19/3/87)	86.55 (25/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,567.6	1,558.0	1,577.1	1,582.2	1,620.6	1,420.9	1,625.2 (24/3/87)	1,094.3 (14/1/86)	1,625.2 (24/3/87)	49.4 (26/6/40)
Gold Mines	433.5	445.5	455.3	438.2	432.8	290.2	455.3 (31/3/87)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.74	3.76	3.72	3.71	3.63	3.78				
Earnings Yld.% (full)	8.48	8.60	8.49	8.45	8.31	9.29				
P/E Ratio (net) (*)	14.37	14.29	14.47	14.54	14.76	13.46				
SEAQ Bargains (5 pm)	50,718	47,598	56,166	54,984	50,538	—				
Equity Turnover (£m)	—	1,320.65	1,291.43	1,339.96	1,436.57	990.80				
Equity Bargains	—	64,046	71,707	65,760	63,824	47,481				
Shares Traded (ml)	—	515.7	488.5	564.1	537.0	374.0				

S.E. ACTIVITY

Indices	April 1	Mar. 31
Gilt Edged Bargains	145.3	178.1
Equity Bargains	415.0	464.6
Equity Value	2669.4	2610.3
5-Day Average		
Gilt Edged Bargains	169.1	174.9
Equity Bargains	432.2	442.1
Equity Value	2824.7	2932.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1567.4	1568.1	1565.5	1566.0	1565.7	1565.7	1566.7	1568.1

Day's High 1580.8. Day's Low 1564.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=13.97.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (125)

AMERICANS (3), CANADIANS (2), BANKS (3), BREWERS (1), BUILDINGS (5), CHEMICALS (4), STORES (2), ELECTRICALS (5), ENGINEERING (4), FOODS (1), HOTELS (3), INDUSTRIALS (17), INSURANCE (3), MOTORS (1), NEWSPAPERS (2), PAPER (6), PROPERTY (9), SHIPPING (1), TEXTILES (1), TRUSTS (18), OILS (5), OVERSEAS TRADERS (2), MINES (24), THIRD MARKET (1).

NEW LOWS (2)

INDUSTRIALS (1) Hollis 22pc Cnv. Ln., THIRD MARKET (1) Allied Insur. Brokers.

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday April 2 1987 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed April 1 Index No.	Tues March 31 Index No.	Mon March 30 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (207)	848.78	+0.6	7.54	3.16	16.79	2.72	843.44	855.22	862.41	727.71
2	Building Materials (27)	1046.40	—	7.47	3.18	16.81	0.72	1046.42	1065.91	1074.87	819.16
3	Contracting, Construction (30)	1425.97	+0.4	7.20	3.36	19.01	3.07	1420.51	1441.47	1463.49	1147.97
4	Electricals (12)	2104.67	+1.8	7.16	3.85	17.93	2.05	2066.69	2095.86	2142.89	2028.45
5	Electronics (36)	1879.36	+0.1	8.01	2.38	16.45	10.44	1877.97	1894.70	1896.97	1679.27
6	Mechanical Engineering (59)	477.34	+0.8	8.34	3.64	15.32	1.54	473.36	480.96	485.68	412.49
8	Metals and Metal Forming (7)	466.84	−0.3	7.76	3.40	15.65	0.00	468.01	468.89	470.80	333.52
9	Motors (16)	329.95	+2.4	8.28	3.39	13.98	2.63	322.14	327.62	330.32	294.08
10	Other Industrial Materials (20)	1456.76	+1.3	6.09	3.43	19.59	3.29	1437.73	1458.46	1476.22	1318.90
21	CONSUMER GROUP (188)	1149.94	+0.5	6.38	2.83	20.18	3.03	1144.34	1157.10	1142.36	951.69
22	Brewers and Distillers (22)	1056.13	+0.8	8.09	3.29	15.55	3.55	1047.47	1058.89	1062.18	953.05
25	Food Manufacturing (26)	873.03	+0.8	7.66	3.48	17.16	3.66	866.12	877.99	883.23	689.17
26	Food Retailing (16)	2138.16	+0.7	5.90	2.60	23.55	10.13	2122.54	2149.61	2154.49	1937.25
27	Health and Household Products (10)	2206.39	+0.1	4.31	1.75	26.94	0.28	2203.35	2229.51	2248.18	1575.39
29	Leisure (32)	1263.71	+1.1	5.99	3.40	22.10	8.62	1250.54	1259.11	1257.82	953.81
31	Packaging & Paper (15)	593.28	+1.0	5.85	2.86	22.17	2.03	587.38	595.53	606.03	461.94
32	Publishing & Printing (14)	3534.51	+0.6	5.74	3.30	22.39	5.18	3513.75	3512.87	3555.97	2366.67
34	Stores (37)	962.52	—	6.74	2.84	20.17	1.46	962.73	974.17	973.78	940.93
35	Textiles (16)	699.13	+0.3	7.71	3.07	14.89	0.44	696.98	705.78	710.91	569.38
40	OTHER GROUPS (88)	977.03	+0.9	8.05	3.51	15.43	4.17	968.73	980.29	982.49	845.34
41	Agencies (17)	1425.67	+1.1	4.35	1.76	31.08	6.40	1409.54	1418.30	1425.74	0.0
42	Chemicals (21)	1218.36	+1.0	8.01	3.63	15.30	16.19	1206.16	1223.53	1238.93	913.14
43	Conglomerates (12)	1263.64	−0.1	6.93	3.49	17.86	2.13	1264.47	1278.74	1283.22	0.0
45	Shipping and Transport (11)	1968.87	—	6.81	4.13	17.77	2.98	1969.81	1988.13	1985.11	1665.03
47	Telephone Networks (2)	988.90	+1.2	9.46	3.90	14.42	1.09	976.76	987.31	978.31	1029.31
48	Miscellaneous (25)	1349.27	+1.1	8.94	3.33	12.61	3.29	1334.18	1354.08	1363.44	1022.34
49	INDUSTRIAL GROUP (483)	1037.91	+0.6	7.13	3.10	17.78	3.35	1031.46	1043.91	1049.01	876.23
51	Oil & Gas (17)	1885.47	+1.9	8.63	4.72	14.30	35.18	1850.00	1873.95	1884.50	1192.59
59	500 SHARE INDEX (500)	1109.80	+0.8	7.35	3.34	17.28	6.14	1100.81	1114.24	1119.78	905.12
61	FINANCIAL GROUP (118)	688.31	+0.6	—	4.34	—	5.94	684.10	687.39	688.87	624.59
62	Banks (8)	722.17	—	19.57	5.29	6.76	12.84	721.92	724.34	718.11	683.19
65	Insurance (Life) (9)	954.86	+0.6	—	4.48	—	8.66	949.44	961.81	960.97	894.48
66	Insurance (Composite) (7)	541.14	+1.0	—	4.64	—	5.06	535.63	532.99	531.68	517.38
67	Insurance (Brokers) (9)	1188.69	+0.3	8.86	4.61	14.59	13.35	1185.08	1194.53	1193.04	1222.35
68	Merchant Banks (11)	370.18	+3.1	—	3.48	—	0.71	359.02	365.29	378.18	366.48
69	Property (47)	954.09	+0.3	4.82	3.14	27.04	1.64	950.85	949.46	957.33	749.75
70	Other Financial (27)	459.84	+1.0	7.19	3.38	17.71	2.35	455.16	462.65	465.39	354.61
71	Investment Trusts (95)	967.41	+0.8	—	2.45	—	4.64	959.83	974.71	975.83	752.12
81	Mining Finance (2)	425.28	−0.3	7.20	3.87	16.32	1.89	426.58	437.98	436.69	307.92
91	Overseas Traders (11)	906.78	+1.4	9.00	4.96	13.46	10.30	894.23	901.14	905.81	690.18
99	ALL-SHARE INDEX (726)	996.46	+0.8	—	3.47	—	5.97	988.79	1000.84	1004.17	822.62

	Index No.	Day's Change	Day's High	Day's Low	April 1	March 31	March 30	March 27	March 26	Year ago
FT-SE 100 SHARE INDEX ‡	1987.7	+14.6	1992.6	1983.0	1973.1	1997.4	2062.5	2048.6	2037.3	1690.3

FIXED INTEREST

	PRICE INDICES	Thurs April 2	Day's change %	Wed April 1	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	123.16	−0.10	123.28	—	3.24
2	5-15 years	142.62	−0.06	142.70	—	3.46
3	Over 15 years	151.52	+0.16	151.28	—	3.45
4	Irredeemables	166.11	−0.23	166.50	—	1.62
5	All stocks	138.73	−0.03	138.78	—	3.39
	Index-Linked					
6	5 years	119.75	−0.05	119.81	—	0.83
7	Over 5 years	122.42	+0.32	122.02	—	0.88
8	All stocks	121.98	+0.29	121.62	—	0.86
9	Debentures & Loans	124.11	−0.39	124.60	—	2.15
10	Preference	86.50	+0.11	86.41	—	1.56

	AVERAGE GROSS REDEMPTION YIELDS		Thurs April 2	Wed April 1	Year ago (approx.)
	British Government				
1	Low	5 years	8.18	8.16	7.94
2	Coupons	15 years	9.08	9.08	8.45
3		25 years	9.11	9.10	8.46
4	Medium	5 years	9.17	9.12	8.89
5	Coupons	15 years	9.27	9.28	8.82
6		25 years	9.27	9.28	8.78
7	High	5 years	9.30	9.26	8.98
8	Coupons	15 years	9.40	9.39	8.94
9		25 years	9.20	9.20	8.90
10	Irredeemables †		9.11	9.08	8.52
	Index-Linked				
11	Inflat'n rate 5%	5 yrs.	2.69	2.67	3.58
12	Inflat'n rate 5%	Over 5 yrs.	3.34	3.36	3.54
13	Inflat'n rate 10%	5 yrs.	2.06	2.04	2.45
14	Inflat'n rate 10%	Over 5 yrs.	3.21	3.23	3.39
15	Debs &	5 years	9.89	9.79	10.62
16	Loans	15 years	10.15	10.10	9.91
17		25 years	10.19	10.14	9.81
18	Preference †		10.79	10.80	11.19

‡Opening index 1986.8; 10 am 1986.8; 11 am 1984.9; Noon 1984.9; 1 pm 1984.1; 2 pm 1984.1; 3 pm 1986.2; 3.30 pm 1987.9; 4 pm 1988.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
Allied Lyons (*395)	330	68	75	85	1	3	6
	360	40	55	67	2	12	16
	390	14	30	45	10	22	25
	420	3	15	23	30	37	43
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Guinness (*324)	280	50	60	70	3	13	15
	300	35	50	57	12	22	27
	330	20	30	43	27	35	37
	360	7	19	—	42	50	—
Ladbroke (*430)	345	90	95	—	1	2	—
	373	60	70	—	1	4	—
	405	40	47	65	8	13	17
	443	13	25	38	32	35	40
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

April 2. Total Contracts 45,192. Calls 37,137. Puts 8,055. FT-SE Index. Calls 444. Puts 621. *Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]
Glaxo	1,600	£14⅛	+⅛
Globe Investment	1,500	152	+1
Granada	2,300	[illegible]	—
Grand Met	1,450	464	+1
Gas "A"	1,600	£12⅝	−⅛
Guardian R.E.	314	[illegible]	−1
GKN	3,800	322	+13
Guinness	7,800	324	+8
Hammerson Prop	—	—	—
Hanson Trust	7,300	164	−½
Hawker Sidd	475	519	—
Hillsdown Hlgs	3,400	260	+7
ICI	1,500	£13⅝	+⅛
Imp. Cont. Gas	399	725	+5
[illegible]	[illegible]	[illegible]	[illegible]
TSB	5,200	86	—
Tarmac	2,100	498	−12
Tesco	1,000	463	+1
Thorn EMI	2,700	644	+2
Trafalgar House	1,500	336	+1
T'house Forte	2,800	252	+4
Unigate	2,000	377	+9
Unilever	202	£25⅝	+⅜
United Biscuits	496	284	+5
Wellcome	803	439	+3
Whitbread 'A'	663	308	+4
Willis Faber	—	—	—
Woolworth	1,300	788	−2

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	107	5
Corporations, Dominion and Foreign Bonds	6	4	58
Industrials	641	376	524
Financial and Properties	231	100	256
Oils	50	21	41
Plantations	0	4	10
Mines	63	66	52
Others	94	55	62
Totals	1,086	733	1,008

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§150	F.P.	15/4	180	160	Admiral Computing 5p	177	—	ø2.13	3.6	1.7	23.1
§180	F.P.	—	201	190	Airtours 10p	196	−1	R5.4	2.5	3.9	14.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986/7 High	1986/7 Low	Stock	Closing Price	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA — April 2 — [illegible]

BELGIUM/LUXEMBOURG — April 2 — [illegible]

DENMARK — April 2 — [illegible]

FINLAND — April 2 — [illegible]

NETHERLANDS — April 2 — [illegible]

GERMANY — April 2 — [illegible]

ITALY — April 2 — [illegible]

FRANCE — April 2 — [illegible]

NORWAY — April 2 — [illegible]

SPAIN — April 2 — [illegible]

SWEDEN — April 2 — [illegible]

SWITZERLAND — April 2 — [illegible]

AUSTRALIA — April 2 — [illegible]

AUSTRALIA (continued) — [illegible]

HONG KONG — April 2 — [illegible]

JAPAN — April 2 — [illegible]

JAPAN (continued) — [illegible]

SINGAPORE — April 2 — [illegible]

SOUTH AFRICA — April 2 — [illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm April 2

[illegible]

WE REGRET that this listing is incomplete due to computer problems.

MONTREAL

Closing prices April 1

[illegible]

Total Sales [illegible] shares

Indices

NEW YORK — DOW JONES — [illegible]

STANDARD AND POORS — [illegible]

N.Y.S.E. ALL COMMON — [illegible]

RISES AND FALLS — [illegible]

TORONTO — [illegible]

AUSTRALIA, AUSTRIA, BELGIUM, DENMARK, FINLAND, FRANCE, GERMANY, HONG KONG, ITALY, JAPAN, NETHERLANDS, NORWAY, SINGAPORE, SOUTH AFRICA, SPAIN, SWEDEN, SWITZERLAND, WORLD — [illegible]

** Saturday March 28: Japan Nikkei 22,178.0, TSE 1,929.88.

[illegible]

NYSE-Consolidated 1400 Actives — [illegible]

TOKYO – Most Active Stocks

Thursday, April 2, 1987

	Stocks Traded	Closing Price	Change on Day		Stocks Traded	Closing Price	Change on Day
Kobe Steel	138.063m	342	– 5	[illegible]	44.82m	[illegible]	+31
Nippon Steel	122.54 m	340	unch	Nippon Mining	38.94m	[illegible]	+44
[illegible]	[illegible]	571	+23	Toshiba Corp.	34.51m	705	+78
Nippon Kokan	[illegible]	295	+ 1	Nippon Express	33.82m	1,[illegible]	+[illegible]
Tokyo Gas	[illegible]	1,[illegible]	–[illegible]	Mitsui Toatsu Chem.	33.56m	[illegible]	+ 5

LONDON – Most Active Stocks

Thursday, April 2, 1987

[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:		
Atkins Bros.	270	+ 14
Ault & Wib	206	+ 16
Avana	804	+ 32
Brit. Aeros	641	+ 20
Brit. & Comm.	447	+ 15
Burmah Oil	466	+ 11
Cable & Wirel	376	+ 11
Chloride	76	+ 7
Coates Bros. A	268	+ 10
Cookson	596	+ 23
DRG	418	+ 13
GKN	322	+ 13
Guinness Peat	107	+ 6
Hall (M.)	182	+ 10
Harris Queens	214	+ 11
Hill Samuel	428	+ 17
Lex Service	391	+ 19
Lucas Inds.	578	+ 15
Marley	152	+ 8
Media Tech.	128	+ 15
Morg Grenfell	366	+ 18
Parkdale	113	+ 11
Polly Peck	235	+ 14
Pentland	720	+ 12
S & Saatchi	677	+ 29
Sun Alli	832	+ 19
FALLS:		
Ferry Pickng	171	– 12
Musterlin	205	– 19
Raine Inds.	130	– 14

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 45

[illegible]

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 45

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 44

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued on Page 43

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Market recovers from higher prime setback

WALL STREET

OVERCOMING a mid-day retreat, Wall Street stock prices edged higher yesterday as markets continued to recover from their initial setback from higher prime lending rates, *writes Roderick Oram in New York.*

Bond markets remained quiet with negligible buying by retail investors as prices eased down about half a point.

The Dow Jones industrial average closed up 4.40 points at 2,320.45. It had opened up about 12 points but fell below the previous close through the middle part of the session. Institutional buying was apparent early in the session but eased later.

Broader market indices, which had under-performed the Dow industrials recently, held their ground throughout the day with the Standard & Poor's 500 index closing up 1.25 points at 293.63 and the New York Stock Exchange composite index adding 0.71 to 166.75.

NYSE volume was moderate at 183.6m shares with advancing shares outpacing those declining by 3 to 2.

With the outlook for interest still a subject for debate, the focus was on bank stocks. Mellon Bank fell $7⅞ to $43 after it reported a first-quarter loss, cut its quarterly dividend to 35 cents a share from 69 cents and put $310m of Brazilian loans on a non-accrual basis.

Two of the three other banks which so far have taken similar action on loans to Brazil were ahead. BankAmerica added $⅛ to $11⅞ and J. P. Morgan rose $⅜ to $43½ while Manufacturers Hanover fell $½ to $42⅞. Other banking shares were generally ahead following the prime rate increase. Citicorp added $1 to $51¾, Chemical gained $⅝ to $44⅞ and Security Pacific gained $⅝ to $36¼.

IBM fell $3 to $148¼. Its launch yesterday of a new family of personal computers was seen by analysts as its most important action in that market since entering it in 1981. The new machines are thought to pose a considerable threat to manufacturers of "clone" computers which perform similarly to IBM's existing personal computers but at lower prices. Many clone makers advanced, however. Tandy rose $1⅛ to $49⅛, Wyse Technology jumped $2⅛ to $25½, Tandon added $¼ to $5½ and Compaq fell $½ to $30⅞.

Microsoft advanced $5 to $96. It unveiled a completely new software operating system for IBM's new machines. Ashton-Tate gave up $1⅛ to $22⅞, and Lotus rose $1 to $25⅛. Both said they would write programmes for the new IBMs.

Some of IBM's competitors further up the products range fared well. Digital Equipment gained $2⅛ to $164⅞, Unisys rose $1⅛ to $98⅞, Apple added $4 to $70⅞ and Tandem advanced $1⅛ to $72⅞ in the over-the-counter market although Hewlett-Packard fell $⅞ to $56⅛.

In the takeover field, Revlon rose $1⅞ to $21⅛ compared with an offer price of $18½ from MacAndrews & Forbes, the corporate vehicle of Mr Ronald Perelman, chairman of Revlon.

Standard Oil eased down $¼ to $70⅞, taking it closer to British Petroleum's offer price.

Eli Lilly jumped $2½ to $96 after it had said it was considering selling its Elizabeth Arden cosmetics subsidiary.

CPC International gained $1¼ to $51¼. It said it was selling its South African subsidiary.

General Public Utilities, a New Jersey-based power company, fell $¼ to $24⅞. It declared a 15 cents-a-share quarterly dividend, its first since an accident shut down its Three Mile Island nuclear power plant in 1979, saddling the company with huge clean-up costs.

American Express fell $2⅛ to $72⅛ in heavy trading. Salomon Brothers dropped it from its buy list.

Occidental Petroleum rose $1⅛ to $35⅛, and Amerada Hess gained $⅞ to $33⅞ following a short-term buy recommendation from Dean Witter Reynolds. Other oil stocks were mixed. Exxon added $⅛ to $88⅞, Chevron added $1⅞ to $59⅛, Amoco rose $2⅛ to $84⅛ and Texaco fell $⅛ to $37⅛.

Credit markets were quiet yesterday drifting in a narrow range either side the previous day's close and little affected by the dollar drifting below its highs for the day. Trading was light and dominated by short covering by professionals.

At its best, the price of the 7.50 per cent benchmark Treasury long bond was up about about a third of a point before falling back to a ¹⁄₁₆ of a point loss from the opening to 95⅜ at which it yielded 7.91 per cent.

CANADA

FRESH interest in blue chips and resource stocks pulled Toronto prices up significantly in busy trade.

MacMillan Bloedel was among the best performers, with a C$2⅛ rise to C$78⅞. Shell Canada, which forecast better earnings for 1987, also did well and advanced C$1⅛ to C$40⅞.

Most energy stocks picked up, Imperial Oil class A adding C$⅞ to C$67⅞ and Texaco Canada up by C$⅛ to C$34⅞. Dome Petroleum, still suffering from news of its C$2.2bn loss, slipped another cent to C$1.02.

Banks wavered again amid worries over Brazilian debts and the course of US interest rates. Royal Bank of Canada was the most active, losing C$⅛ to C$ 33½.

Golds fared well, with Campbell Red Lake finding C$1 to close at C$ 37⅞. Lac Minerals fell against the trend, however, by C$½ to C$39⅞ as investors awaited a result in its court case with International Corona. Corona was C$⅛ lower at C$45.

Montreal was notably firmer.

Eyskens tries to remove barriers to foreign investors

Belgium moves on bourse tax

BELGIUM is set to simplify the procedure for foreign investors to recoup withholding tax levied on investment income earned in the country and may abolish bourse transaction taxes for non-residents, according to Mr Mark Eyskens, the Finance Minister.

Mr Eyskens said a simplification of the withholding tax rebate will be announced in the next few days and that he hoped the Belgian cabinet would approve today the abolition of bourse taxes. Both measures were designed to attract capital imports and cut Belgium's heavy net capital outflows.

At present, non-residents pay a 25 per cent withholding tax on income earned on Belgian investments. This can be reclaimed from the Belgian authorities, but the procedure has been criticised by analysts as so slow as to deter foreign investment, particularly in bonds.

The move to abolish bourse taxes is considered less significant although it would make Belgium one of the few international countries not to charge such a levy. The present tax rates are 0.07 per cent, 0.14 per cent and 0.35 per cent, depending upon the type of paper transacted.

Mr Eyskens said he hoped eventually to abolish transaction taxes for Belgian residents but that this would depend on the Government's success in trimming its high budget deficit.

EUROPE

Stronger dollar supports confident burst of activity

DOMESTIC and foreign investors continued to bid European equity prices higher on most bourses in generally busier trade, with confidence supported by the dollar's early steadiness.

Frankfurt prices rose but were pared from the day's highs as foreign investors took late profits. The Commerzbank index of 60 leading shares, calculated at mid-session, was 12.6 higher at 1,844.6.

Good company news sparked an early rise. Bayer announced a world group pre-tax profit rise of nearly 5 per cent to DM 3.3bn and predicted further growth for 1987. It rose 50 pfg to DM 319.50 on the news. Other chemicals, however, slipped back, Hoechst by DM 3.10 to DM 278.50 and BASF by DM 2.90 to DM 275.50. Hoechst and Bayer announced, after the close, plans to pool their AIDS research.

Deutsche Bank also announced higher earnings, at a record DM 3.78bn against DM 2.92, but closed DM 1.50 down at DM 665.50 after touching DM 695. Dresdner Bank put on 50 pfg to DM 359.50, but Commerzbank slipped back DM 1 to DM 283.

Bonds firmed in busy trade. The Bundesbank sold DM 127.8m of paper after buying DM 135.7 on Wednesday.

Amsterdam firmed amid strong foreign interest as the dollar held its ground and Frankfurt continued to strengthen.

Steel group Hoogovens slipped Fl 2 against the trend to Fl 35.80 as it announced a big fall in profits and forecast a loss for 1987.

Other company news was better. Bols firmed Fl 5 to Fl 160 as the drinks group announced a 24 per cent profits rise. Publisher Elsevier also boosted profits for 1986, by 21 per cent, and its stock rose Fl 8 to Fl 260.00.

Brussels was sharply higher in what dealers said was a technical recovery from losses earlier in the week. The Brussels SE index jumped 75 to 4,436.05.

Steel company Arbed featured among advances, putting on BFr 78 to BFr 1,560. On Monday the group forecast lower earnings for 1987.

Zurich also improved as foreign and domestic buyers homed in on banks and industrials, respectively.

UBS led the banking rises, up SFr 75 to SFr 5,325, while Crédit Suisse added SFr 35 to SFr 3,160.

Swissair picked up SFr 60 to close at SFr 1,220

Paris edged up in cautious trade. Building-related stocks benefited from a slight fall in the overnight call money rate. Bouygues rose FFr 40 to FFr 1,405, Auxiliare Enterprises-D gained FFr 48 to FFr 1,750 while building plant maker Poclain advanced FFr 1 to FFr 15.

Milan was mixed as early rises were pared amid renewed fears over the Italian Government's impasse.

Madrid eased in thin trade, with food, constructions and utilities weaker. Banks also softened.

Stockholm fell in very dull trade with most institutional investors sidelined.

Oslo also eased in mixed trade on profit-taking from Wednesday's rally. Industrial holding company Orkla-Borregaard built on Wednesday's NKr 17 rise with a further NKr 6.50 jump to NKr 460.50.

LONDON

FOLLOWING a lead from New York and Tokyo's markets, London equities rallied slightly amid continued caution caused by the uncertainty surrounding the US-Japanese trade dispute.

The FT-SE 100 index pulled back 14.6 to 1,987.7 while the FT Ordinary index was 9.6 higher at 1,567.6.

The Chancellor of the Exchequer's comments on sterling policy perked exporting stocks and oils. Engineering shares also bounced back strongly, led by GKN, which rose 13p to 322p. Details Page 42.

Amsterdam up in March

GOOD CORPORATE results and declining interest rates sparked the rebound in March Amsterdam bourse turnover which surged 38 per cent to Fl 25.8bn ($12.6bn).

Sentiment was partially inhibited, however, by reports of a fall in exports, reduced trade, particularly to West Germany, and slower international economic growth.

Royal Dutch/Shell was the most active stock during March with Fl 5.07bn ($2.47bn) worth of shares changing hands compared with Fl. 2.5bn during February.

Trading in Unilever, second most active with Fl 1.69bn, gathered pace compared with the Fl 649m worth of shares volume during the previous month.

SOUTH AFRICA

DESPITE some support from a further fall in the financial rand, Johannesburg gold stocks closed narrowly mixed in featureless trading.

Leading golds Vaal Reefs and Randfontein were steady at R391 and R438, Southvaal rose R2 to R204, but Driefontein slipped a further R1.25 to R70.

Mining financials were slightly stronger, with Anglo American up R1.50 to R70.50 and Gold Fields of South Africa recovering R1.25 to R60.00. Glencor rose 25 cents

ASIA

Fresh fall in yen pushes Nikkei to record high

TOKYO

A BROAD advance took share prices to a record in Tokyo yesterday as investors were reassured by a further dip in the yen and New York prices continued to gain, *writes Shigeo Nishikwaki of Jiji Press.*

The Nikkei average, which surged 473 points on Wednesday, added another 499 temporarily, but profit-taking in the afternoon trimmed the gain to 327.54 with the market barometer closing at 22,367.72. The previous record high was 22,178 scored on March 28.

Trading remained high at 1.74bn shares compared with Wednesday's 1.65bn. Gains led losses 585 to 284, with 125 issues unchanged.

Stock related to superconducting materials drew buying, with investors apparently seeing room for further gains by these issues compared with large-capital and biotechnology stocks, which have already made large advances.

Among nonferrous metals, Mitsubishi Metal leaped Y26 to Y755, Nippon Mining Y44 to Y539 and Sumitomo Metal Mining Y100 to Y1,400. Cable issues, Furukawa Electric and Sumitomo Electric, rose Y31 to Y860 and Y100 to Y1,630, respectively.

In the afternoon, Toshiba announced the development of a new ceramic material from its superconductive research programme, fanning buying of related issues. Toshiba jumped Y78 to Y705 on volume of 34.61m shares.

Construction and other domestic demand-related stocks were sought on a report that the Construction Ministry plans to spend an additional Y10,000bn on public works over three years. Taisei Corp went up Y10 to Y1,210 while Maeda Road Construction and Nippon Road climbed Y80 to Y1,480 and Y20 to Y1,320, respectively. But selling increased later, and some leaders lost ground, with Kajima and Ohbayashi Corp sagging Y30 each to Y1,700 and Y1,290.

The decline in the yen's value caused investors to buy blue chips. NEC closed Y80 higher at Y1,590 and Matsushita Electric Industrial Y60 up at Y1,520. Hitachi was Y53 up at Y943 while Sony gained Y70 to Y2,950. Fuji Photo Film finished Y30 up at Y2,990.

Large-capital stocks were sought by institutional investors, but their turnover was small. Kobe Steel was the busiest, but volume came to only 138.08m shares. It climbed Y12 at one stage but finished Y5 cheaper at Y342. Nippon Steel closed unchanged at Y349 after adding Y12 while Nippon Kokan was Y1 up at Y295.

Bond prices registered a sharp advance. The dealing section of Nomura Securities continued to buy the 5.1 per cent government bond due in June 1986 heavily, spurring other dealers to concentrate buying on the benchmark issue. Its yield temporarily slipped below 4 per cent to 3.995 per cent compared with Wednesday's 4.085 per cent, but later selling pushed it back to 4.015 per cent.

A securities house official said trading attracted only dealers, and insurance companies and other institutional investors had shown no signs of entering the increasingly speculative bond market.

HONG KONG

BARGAIN HUNTERS returned to the fray in Hong Kong and pushed the Hang Seng index 13.50 higher to 2,709.41 after posting an early 25-point drop.

The growing controversy over new issue of B shares made some institutions reluctant to take positions.

The exchange said it wished to link the issue of B shares for Hutchison Whampoa, Cheung Kong and Jardine Matheson more closely to the existing stock by making them exchangeable at a fixed ratio, thereby increasing the liquidity of the B shares and reducing their use in protecting the interests of major holders: Hutchison jumped HK$1.50 to HK$53, Cheung was 50 cents cheaper at HK$42.50 and Jardine at HK$22.40 was 30 cents off.

The property sector was unsettled by reports that Hongkong Land was considering moving its legal domicile to Bermuda. HK Land eased 10 cents to HK$7.70, and SHK Properties was 30 cents weaker at HK$11.90.

AUSTRALIA

FRESH INTEREST in domestic oil issues more than offset weakness in Syndey industrials, and the All Ordinaries picked up 5.8 points to 1,696.9.

Santos continued to find buyers and added a further 10 cents to A$5.44 for a rise of 34 cents since Tuesday. Crusader jumped 40 cents to A$2.90 on news of a major oil find.

Golds also underpinned sentiment as strong European institutional support emerged overnight. Central Norseman rose A$3.50 to A$25.90 for a gain of A$5.20 in two days.

BHP Gold Mines rights, actively traded with 4m changing hands, held steady at A$1.32 while its parent BHP was 5 cents cheaper at A$11.05.

CRA managed a 10-cent rise to A$7.20 after Wednesday's 14-cent advance while CSR, which announced plans to sell its Delhi Petroleum unit to Exxon, dipped 3 cents to A$4.22. Over 1.2m CSR shares were traded.

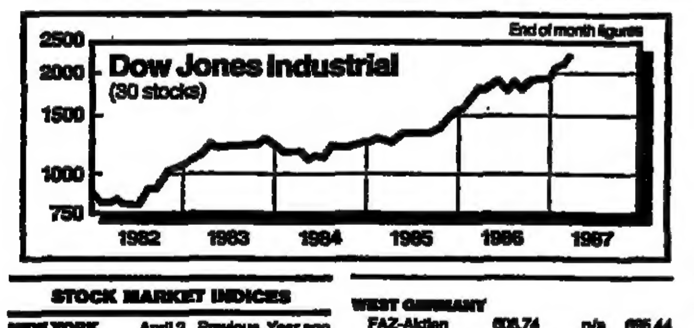
SINGAPORE

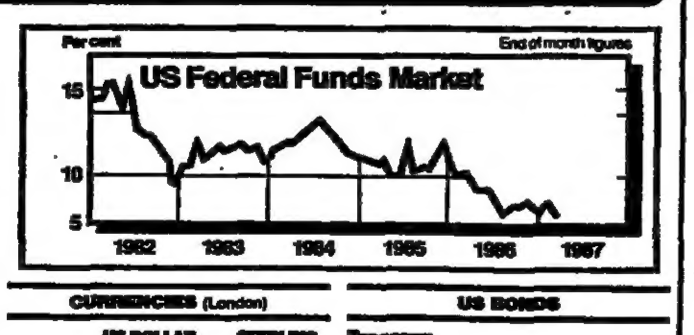
BANKS and isolated blue chips featured in a brisk rebound in Singapore trading that took the Straits Times industrial index 15.26 higher to 1,059.20 on turnover of 17m shares.

Paper products, most active with 1.6m shares changing hands, closed ½ cent up at 33 cents while United Motor Works gained 4½ cents to 80½ cents on 842,000 shares. Sealion Hotels was also busy on trade of 715,000 and rose 4 cents to S$1.64.

Singapore Airlines picked up 20 cents to S$11.30 while Malayan Banking at S$8.90 was 15 cents higher. OCBC also firmed 15 cents to S$9.60.

KEY MARKET MONITORS





STOCK MARKET INDICES

	April 2	Previous	Year ago
NEW YORK			
DJ Industrials	2,325.00*	2,298.02	1,790.11
DJ Transport	925.87*	920.91	813.05
DJ Utilities	210.50*	209.70	191.32
S&P Comp.	292.18*	290.30	235.14
LONDON FT			
Ord	1,567.6	1,558.0	1,420.9
SE 100	1,987.7	1,973.1	1,684.0
A All-share	996.45	988.79	820.78
A 500	1,109.80	1,100.81	903.77
Gold mines	433.5	445.5	290.2
A Long gilt	9.20	9.20	8.00
World Act. Ind (April 1)	$123.39	$122.98	$87.03
TOKYO			
Nikkei	22,367.72	22,040.18	15,745.9
Tokyo SE	1,915.64	1,902.24	1,260.13
AUSTRALIA			
All Ord.	1,696.9	1,691.1	1,131.5
Metals & Mins.	929.1	916.2	567.4
AUSTRIA			
Credit Aktien	197.04	198.20	114.35
BELGIAN SE	4,436.05	4,360.49	3,549.89
CANADA			
Toronto			
Met.& Mins.	2,619.7*	2,571.4	2,290.0
Composite	3,770.9*	3,735.2	3,235.14
Montreal			
Portfolio	1,861.94*	1,839.75	3,028.74
DENMARK SE	–	198.73	249.50
FRANCE			
CAC Gen	452.70	454.40	303.0
Ind. Tendance	114.60	114.50	72.2
WEST GERMANY			
FAZ-Aktien	606.74	n/a	686.44
Commerzbank	1,844.60	1,832.00	2,105.9
HONG KONG Hang Seng	2,709.41	2,695.91	1,603.27
ITALY Banca Comm.	720.79	719.69	732.85
NETHERLANDS ANP CBS			
Gen	288.10	279.50	287.2
Ind	608.74	254.90	259.6
NORWAY Oslo SE	417.14	—	353.09
SINGAPORE Straits Times	1,059.20	1,043.90	594.27
SOUTH AFRICA JSE			
Golds	—	1,973.0	1,169.7
Industrials	—	1,744.0	1,149.4
SPAIN Madrid SE	222.81	223.91	162.56
SWEDEN J & P	2,514.38	2,582.20	2,102.28
SWITZERLAND Swiss Bank Ind	593.10	588.90	598.8

COMMODITIES (London)

	April 2	Prev
Silver (spot)	395.55p	390.20p
Copper (cash)	£918.50	£927.00
Coffee (July)	£1,258.00	£1,242.00
Oil (Brent)	$18.50	$18.35

GOLD ($/oz)

	April 2	Prev
London	$420.75	$419.25
Zürich	$419.75	$419.15
Paris (fixing)	$418.16	$418.61
Luxembourg	$420.45	$418.65
New York (June)	$425.8*	$423.9

CURRENCIES (London)

	US DOLLAR April 2	US DOLLAR Previous	STERLING April 2	STERLING Previous
$	–	–	1.6030	1.6050
DM	1.8215	1.8205	2.9225	2.9225
Yen	146.70	146.75	235.5	235.5
FFr	6.08	6.0575	9.725	9.7225
SFr	1.5195	1.5215	2.44	2.4425
Fl	2.0560	2.0540	3.30	3.295
Lira	1,298.5	1,296.5	2,084.0	2,080.75
BFr	37.75	37.65	60.60	60.45
C$	1.3075	1.3080	2.0985	2.100

INTEREST RATES

Euro-currencies (3-month offered rate)	April 2	Prev
£	10	9¹³⁄₁₆
SFr	3⅞	3⅞
DM	3⅞	4
FFr	8⅛	8⅛
FT London Interbank fixing (offered rate)		
3-month US$	6⅝	6¹¹⁄₁₆
6-month US$	6¹¹⁄₁₆	6⅝
US Fed Funds	6⅛*	6⅛
US 3-month CDs	6.10*	6.475
US 3-month T-bills	5.51*	5.70

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
April 2				
June	97-22	98-14	97-15	97-23
US Treasury Bills (IMM) $1m points of 100%				
June	94.28	94.38	94.25	94.29
Certificates of Deposit (IMM) $1m points of 100%				
June	–	–	–	93.64
LONDON				
Three-month Eurodollar $1m points of 100%				
June	93.33	93.35	93.22	93.25
20-year Notional Gilt £50,000 32nds of 100%				
June	122-19	123-08	122-06	122-30

US BONDS

Treasury

	April 2 Price	April 2 Yield	Prev Price	Prev Yield
6⅝ 1989	99¹³⁄₃₂	6.63	99¹¹⁄₃₂	6.646
7 1994	97²⁄₃₂	7.373	97⁶⁄₃₂	7.367
7¼ 1996	97¹⁹⁄₃₂	7.586	97¹⁵⁄₃₂	7.595
7½ 2016	95²²⁄₃₂	7.873	96²⁰⁄₃₂	7.899

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	–0.03
1–10	154.63	+0.12	6.68	–0.03
1– 3	144.03	+0.07	6.37	–0.03
3– 5	167.57	+0.17	6.71	–0.03
15–30	193.58	+0.59	7.78	–0.03

Source: Merrill Lynch

Corporate

	April 2 Price	April 2 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	94.0	5.95	93.63	6.0
SCBT South Central 10⅞ Jan 1993	104.71	9.78	104.625	9.83
Phibro Sal 8 April 1996	97.75	8.36	96.125	8.50
TRW 8⅞ March 1996	102.50	8.34	102.125	8.40
Arco 9⅞ March 2016	109.75	8.93	111.75	8.75
General Motors 8⅝ April 2016	91.50	8.95	91.625	8.94
Citicorp 9⅞ March 2016	98.75	9.50	100.125	9.36

Source: Salomon Brothers

* *Latest available figures*